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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1988

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

H.R. 3058

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES, FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1988, AND FOR OTHER PURPOSES

Part 1—(Pages 1-935)

ACTION
Commission on Education of the Deaf
Corporation for Public Broadcasting
Department of Health and Human Services
Department of Labor
Federal Mediation and Conciliation Service
Federal Mine Safety and Health Review Commission
National Commission on Libraries and Information Science
National Council on the Handicapped
National Labor Relations Board
National Mediation Board
Occupational Safety and Health Review Commission
Physician Payment Review Commission
Prospective Payment Assessment Commission
Railroad Retirement Board
U.S. Institute of Peace
U.S. Soldiers' and Airmen's Home

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CONTENTS

THURSDAY, FEBRUARY 26, 1987

Page

Department of Labor:
  Secretary of Labor 1
  Departmental management 121

TUESDAY, MARCH 3, 1987

Department of Health and Human Services:
  Office of Human Development Services 125
  Health Care Financing Administration 151
ACTION 203
Corporation for Public Broadcasting 241
Railroad Retirement Board 287
  Office of Inspector General 307
Commission on Education of the Deaf 319
National Commission on Libraries and Information Science 329
National Council on the Handicapped 391
U.S. Institute of Peace 417
Federal Mediation and Conciliation Service 507
National Mediation Board 519
Physician Payment Review Commission 529
National Labor Relations Board 567
Occupational Safety and Health Review Commission 585
Federal Mine Safety and Health Review Commission 593
U.S. Soldiers' and Airmen's Home 601

WEDNESDAY, MARCH 4, 1987

Department of Health and Human Services:
  Office of Assistant Secretary for Health 619
  Centers for Disease Control 719
Prospective Payment Assessment Commission 779

THURSDAY, MARCH 5, 1987

Department of Health and Human Services:
  Alcohol, Drug Abuse, and Mental Health Administration 801
  Health Resources and Services Administration 875

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1988

THURSDAY, FEBRUARY 26, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:35 p.m., in room SD–124, Dirksen Senate Office Building, Hon. Lawton Chiles (chairman) presiding.

Present: Senators Chiles, Burdick, Weicker, Hatfield, and Domenici.

DEPARTMENT OF LABOR

SECRETARY OF LABOR

STATEMENT OF WILLIAM E. BROCK, SECRETARY OF LABOR

ACCOMPANIED BY:
- JAMES E. McMULLEN, BUDGET OFFICER
- THOMAS C. KOMAREK, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT
- DENNIS E. WHITFIELD, DEPUTY SECRETARY
- ROGER D. SEMERAD, ASSISTANT SECRETARY, EMPLOYMENT AND TRAINING

OPENING REMARKS OF SENATOR CHILES

Senator CHILES. Today we are going to hear from Secretary Bill Brock who will testify on the appropriations request for the Department of Labor. Senator Weicker is en route and he will be here momentarily.

A new $980 million worker adjustment assistance proposal is requested by the administration. This would be a threefold increase in the amount we are spending at the Department of Labor to assist dislocated workers.

So, instead of large cuts, the Department of Labor is proposing large increases, not only for worker readjustment assistance but also a real increase of $50 million to train AFDC youth. As a Nation we need to train and educate our disadvantaged youths so that they will play a productive role in our economy. We also need to retrain our dislocated workers.

So, Secretary Brock, I think you have made two good proposals and although we may quarrel with some of the details, the overall direction is to be applauded. Some may argue that we can't afford the additional expense of new human capital investments to improve the quality and efficiency of our work force, but if we are going to compete in world markets we have no choice.

Secretary Brock, after 14 years in Congress and 4 years as a special trade representative, I think you know better than most the kind of competition that we are up against these days. Our trade deficit has broken records. Our goods and services are denied the access to foreign markets. The goods from overseas just keep coming in.

These facts have put the U.S. worker through some hard times during this decade. Many have lost their jobs. Many of the jobs they held have vanished altogether. And through it all they were willing to give up wage and fringe benefit increases and they helped to see us through some dark times.

Today, those workers want training for new and better jobs. They want to be equipped for the modern, high-tech workplace. At a time when everyone seems to be finally realizing we are running behind the competition, we need to reassert our economic power to give ourselves the ability to sustain a rising standard of living.

We know that wage growth in this country has slowed in relation to our competitors. The workers are doing their part and they want to do more. No matter how ambitious a program we develop to improve our ability to compete, and no matter how much technology we have, no matter how much legislation we pass, we won't be on top until the American worker helps put us there.

So, we are happy to see your proposal. It is a surprise and a disappointment, however, to learn that the Labor Department initiatives are more than offset by cutbacks proposed in other Federal employment and training programs.

The net reduction is more than $300 million below enacted 1987 appropriations, primarily due to the proposed elimination of the Federal vocational education funding at the Department of Education. We look forward to reviewing with you not only your two major funding proposals, AFDC youth and worker readjustment assistance, but several other funding proposals included in the Department's 1988 budget.

Mr. Secretary, we want to say we enjoyed very much serving with you in the Senate. We think you have been very much a class act as Secretary of Labor, and also in the job you did as trade representative, and we are glad to see these proposals come forth under your watch.

Senator Weicker, who did an outstanding job as the chairman of this subcommittee for the last 4 years, and I am delighted to have him be my ranking Member now on the committee, we will call on him for any opening statement.

Senator WEICKER. Thank you, Mr. Chairman. I am delighted to serve with you. As Prescott Bush, who was one of my predecessors said, I have mixed emotions.

Philosophically, I think maybe I might be attuned to some of the matters of the majority, and in the Senate, although I have to tell you that not being chairman, as Prescott Bush defined mixed emotions as seeing your mother-in-law go over the cliff in your Cadillac. So, it's sort of a key to the situation I find myself with here.

I have no mixed emotions—I want to say this, I have no mixed emotions about my good friend, Bill Brock. I want to say that while the dollars requested for the Labor Department's programs might not be enough, in the final analysis, for Members of this committee, there is not a shred of doubt about the commitment of this Labor Secretary to the employment and training and the protection needs of our Nation's work force.

I am very proud indeed to have you as a member of my party, as the Secretary of Labor in the President's Cabinet, and you are a great credit both to the Government in general and to this administration, and to the advocacy which was placed on your shoulders.

Senator CHILES. Mr. Secretary.

OPENING REMARKS OF SECRETARY BROCK

Secretary BROCK. I think I'd better leave, Mr. Chairman. I can't do any better than that.

I am very grateful for both of your comments, and I appreciate the thoughts, the words, and the commitment that you have shown over these many years. I think we all agree, it is a fundamentally important program to restore this country's human capital, human skill base to a preeminent position in the world.

I think that, rather than try to go through a prepared statement, Mr. Chairman, I will simply respond to a couple of things you both have said in the context of the proposals we are making before this committee.

What we are suggesting is a complete reshaping of the training, employment, and unemployment system of the United States. You mentioned the first component. That is $980 million in a new worker adjustment effort to replace the Training Adjustment Assistance Program and the title III of the JTPA Program.

The reason we are asking that they be replaced is because they are not working as well as they should. There is not enough money, and it is not as well focused as it could be. What we are suggesting is that it can be more productively employed by taking the model of JTPA, State direction, basically, local support, and building on that to serve 700,000 people instead of about one-third of that number. We intend to serve them in a fundamentally different way by involving not only dollar solutions but by making positive changes in the unemployment insurance system and the Employment Service.

One of the frustrations I have had in looking at our training and employment process in the almost 2 years I have been in the Department is that sometimes we Government agencies are like ships passing in the night. For example, the Department of Health and Human Service's welfare program, with its regulations, occasionally deters our ability to respond to the needs of welfare clients to get off of welfare. It's ridiculous.

With the Unemployment Insurance Program,. you lose your unemployment insurance when you go into training. That is crazy. So, what we are asking for is the removal of the barriers to skill development and reemployment. The budgetary impact is $980 million requested for the Worker Adjustment Program.

The additional $50 million, we have asked to combine with the change in the Summer Youth Program so that we can focus that $800 million at the States' discretion of AFDC youth who are simply not being adequately served today in sufficient fashion to get out of AFDC circumstances.

We also hope that by combining these four parts, the worker adjustment, the summer youth AFDC effort, the decentralization of Employment Service and unemployment insurance, we will be able to respond much more quickly to unemployment circumstances whether they are due to mass layoffs or individual layoffs, because it is in the fast response that we are able to most effectively deal with the problem.

Let me just mention one or two other component parts of the budget, and then I will be happy to respond to whatever questions you have and I've got a lot of people with me who can go into whatever detail you want.

We are asking for a continuation of JTPA. The program has worked. It has been successful. We are asking for a continuation at the present level.

We are asking for continuation of the Job Corps at 40,500 slots. We are asking for, essentially, a continuation of the JTPA national programs. That does incorporate a $9 million reduction but that is de minimus.

We are asking for a continuation of the Older Americans Program at $326 million. We are suggesting that we can reduce our full-time equivalent staff by 279. We will do that by reallocating FTE's from programs which are being reorganized, by targeting excessive overhead, and without adversely affecting our enforcement and inspection responsibilities.

We are suggesting for later transmittal an initiative which involves the black lung disability trust fund, to permit the systematic retirement of our indebtedness by the year 2007.

We are requesting through supplemental transfers $10.9 million to cover increased pay and retirement costs which we could not absorb.

We are proposing reductions in two accounts in 1987: a rescission of $322 million in the "Training and employment services" account, which incorporates $57 million out of the block grant program, $100 million out the Summer Youth Employment Training Program, and $175 million with the Dislocated Worker Program.

The first two simply allow us to eliminate the carryover that is not necessary for effective operation of the program. The third rescission is requested simply because we are terminating that program in fiscal 1988 and the amount of money left after the rescission will be sufficient to carry us through September and that is all we need.

The second proposed reduction involves a negative supplemental—and I marvel at those words—negative supplemental of $90 million in trust fund Limitation authority for the State employment services. The action is not expected to result in any significant change in delivery of services because there are 5-year unexpended balances in some States. We are asking concurrently for the reallocation of those resources.

The Department's budget contains no additional resources for implementation of its responsibilities under the Immigration Reform and Control Act, and I want to mention that because we are presently studying what those responsibilities might entail and we may have to come back to you and discuss that issue with you later but we are not prepared at this point to say whether we need more or less resources due to that change in law.

I think that is sufficient to begin the conversation, Mr. Chairman. I am happy to respond to your questions.

PREPARED STATEMENTS

Senator CHILES. Thank you, sir. We will insert your statement, as well as the more detailed agency statements, in the record at this point and then move on to Senator Burdick.

[The statements follow:]

STATEMENT OF WILLIAM E. BROCK

I am pleased to appear before you today to discuss the resource requests for the Department of Labor for Fiscal Year 1988.

Joining me at the witness table are Assistant Secretary Roger Semerad of the Employment and Training Administration, Tom Komarek, Assistant Secretary for Administration and Management, and James McMullen, Acting Director, Office of Budget.

Today and tomorrow, members of the Department's management team will appear before you to discuss the details of the requests for the individual agencies.

In this session I would like to present my overall approach to this budget and the rationale that governed decisions on the proposals that you have before you. I will also be discussing changes to the Fiscal Year 1987 Appropriations due to rescissions, negative supplementals and transfers.

Requested new budget authority for Fiscal Year 1988 totals $8.45 billion, of which $2.7 billion is proposed for later transmittal. The request for trust fund limitations is in the amount of $2.63 billion. This budget request will enable the Labor Department to continue to meet its responsibility to administer a variety of employment and training, worker protection, and income maintenance programs. Equally important, the budget recognizes that changing economic realities present new challenges to American labor and business as we approach the 21st century. We have a number of new initiatives to meet these challenges, and our budget reflects this forward outlook. I would like to discuss with you several of these legislative initiatives.

The first legislative initiative is a new worker readjustment program. This program will be responsive to dislocation pressures triggered by international competition, technological change, economic shifts and changes in consumer preferences. We are proposing to replace the current Job Training Partnership Act (JTPA) Dislocated Worker program and the Trade Adjustment Assistance (TAA) program with a single, integrated program of counseling, job search, basic education, literacy and skill training. This new initiative, which would enroll an estimated 700,000 additional unemployed workers each year, would help displaced workers reestablish themselves in the labor market. A key feature of this new program will be a quick response capability at the state level whereby on-site assistance can be made available immediately when requested and upon announcement of a facility closing or mass layoff. The budget request for this initiative is $980 million, an increase of $636 million over the currently-enacted budget authority for the JTPA and TAA programs.

A second initiative addresses the persistent problems of youth unemployment and welfare dependency. Our new Aid to Families with Dependent Children (AFDC)/Youth program would be authorized by an amendment to Title II of the JTPA revamping the current Summer Youth Employment and Training program. At the option of local officials, funds provided under the program would be available for a year-round program of training, education, and support services for youth in AFDC families, for a traditional summer jobs program, or for both. This proposal would also target resources to areas with the greatest need. The year-round option would give the opportunity for a more intensive remedial program, including such features as literacy components and skill training. The budget request for this initiative is $800 million, which is $50 million over the currently-enacted budget authority for the summer youth program and $150 million over our revised Fiscal Year 1987 request.

Another legislative initiative for later transmittal involves the Black Lung Disability Trust Fund (BLDTF). Legislative changes will be sought to assure, among other things, that the coal industry pays the full cost of the benefits paid on its behalf, and to permit the systematic retirement of the BLDTF debt by the year 2007.

In addition to the above, I feel that I should mention two proposals that have no current impact on the Department's appropriation, but would improve the Pension Benefit Guaranty Corporation's (PBGC) declining financial status. The Administration has sent to Congress a comprehensive pension termination and funding proposal for single employer pension plans as part of our competitiveness package. The proposal contains extensive changes in the minimum funding standards for pensions. Although they will not have an immediate impact on the budget, the changes will in the longer run, significantly reduce the underfunding of pension plans and thus reduce the financial exposure of the PBGC Public Enterprise Fund. Also, the Administration soon will be proposing separate legislation to change the amount of premium paid per participant for single employer pension plans from the current fixed amount of $8.50 to a variable rate premium. We are also considering other items which, in addition to the above, will help assure the solvency of the fund.

For the JTPA for Fiscal Year 1988 we are continuing the Block Grant to states program at a steady state of $1.8 billion, the same as the revised 1987 amount. This will provide for an average enrollment of over 300,000 people and serve over one million economically disadvantaged youths and adults. The Job Corps request is for $652 million, which is sufficient to maintain this important program at its current capacity of 40,500 slots. However, we are requesting authority to operate all Job Corps Centers, including the Civilian Conservation Centers, through the competitive bidding process. The request for nationally administered JTPA programs is for $201 million.

The Community Service Employment for Older Americans program is requested to continue unchanged at $326 million.

With respect to the Department's staff for employment and training, worker protection, labor and employment standards and statistics, we are proposing a net reduction of 279 full-time equivalent (FTE) staff, from 18,339 FTE in 1987 to 18,060 FTE in 1988.

We will accomplish reductions by reallocating FTE's from programs which are being re-organized. We will absorb reductions by targeting excessive administrative overhead. Both the restructuring and reallocation will be effected without any adverse impact on our enforcement or inspection responsibilities.

We are proposing reductions to Fiscal Year 1987 appropriations in two accounts. First, we are proposing to rescind $332 million from the Training and Employment Services account. This figure includes reductions in the Block Grant program ($57 million), in the Summer Youth Employment and Training program ($100 million), and in the Dislocated Worker program ($175 million). Because of the carryover in the Block Grant and Summer programs, funding for these efforts can be reduced without a comparable reduction in services. The Dislocated Worker rescission also reflects the existence of a large carryover and is necessary because of the forward funded nature of this activity. All that is needed in Fiscal Year 1987 is a transition amount to finance the program beginning of Fiscal Year 1988. Also included within this rescission is appropriation language discontinuing the formula for the current Dislocated Worker program to permit the targeting of the remaining Fiscal Year 1987 funds to those areas in most need of assistance.

The second proposed reduction involves a negative supplemental of $90 million in trust fund limitation authority for the State Employment Service. This negative supplemental in the forward-funded allotment to states would reduce the limitation level approximately to that requested in 1988. This action is not expected to result in any significant change in the delivery of services because it will be offset by state efficiency initiatives, the distribution of prior year excessive unexpended balances in some states for which authority is concurrently requested in the supplemental language, and the addition of resources to help people find jobs which would be provided to states through the new worker readjustment program.

In addition to these reductions, the Department is proposing other changes to the Fiscal Year 1987 appropriation. As a result of the recent three percent pay raise and the passage of the new Federal Employees'

Retirement System (FERS) program, the Department will incur costs it cannot absorb within our Fiscal Year 1987 appropriations. Therefore, we are requesting transfers and supplementals totalling $10.9 million to meet the amount of pay and FERS increases that cannot be absorbed.

This concludes my prepared remarks Mr. Chairman. I would be happy to answer your questions.

BIOGRAPHY OF WILLIAM E. BROCK

William E. Brock was nominated by President Ronald Reagan to be the nation's 18th Secretary of Labor on March 20, 1985. His nomination was confirmed by the Senate on April 26, 1985. He was sworn into office on April 29, 1985.

In addition to being a member of the President's Cabinet, he serves on the Economic Policy Council. The Secretary also is a member of the President's Task Force on Regulatory Relief, the President's Advisory Council on Private Sector Initiatives, and many other senior governmental councils and committees.

Brock previously served as United States Trade Representative. He was nominated to this Cabinet-level post by President Reagan on January 15, 1981, and was sworn in on January 31, 1981. His duties included serving as the President's chief trade adviser and international trade negotiator. He also chaired the Cabinet-level Trade Policy Committee.

Brock was born in Chattanooga, Tennessee, on November 23, 1930. He received a Bachelor of Science degree in 1953 from Washington and Lee University, Lexington, Virginia. After serving as an officer in the U.S. Navy, he became associated with the Brock Candy Company.

In 1962, Brock became the first Republican to be elected to Congress in more than 40 years from Tennessee's Third District.

As a congressman from 1963 to 1970, he served on the committee on Banking and Currency and became a member of the Joint Economic Committee in 1967.

After four terms in the House of Representatives, Brock was elected to the U.S. Senate in 1970. Senator Brock served on the Finance Committee, the Banking Committee and the Government Operations Committee.

In 1977, the Republican party elected Brock as its National Chairman, a position he held until being named U.S. Trade Representative.

Brock is married to the former Sandra Mitchell, who has two children, Julie and Steve. He has three sons, William, Oscar and John, and a daughter, Laura by his first wife Laura Handly (deceased).

STATEMENT OF ROGER D. SEMERAD

Mr. Chairman, and Members of the Subcommittee, thank you for this opportunity to appear before you. The budget request which I will be discussing with you is a fiscally and programmatically sound one. There are two new initiatives for which we have recently proposed legislation--one for AFDC youth and another for dislocated workers--for which we will be requesting 1988 resources at a later date but which must be discussed to put our budget in proper perspective. I am hopeful that these new initiatives will improve services to those in need and that the Congress will provide resources at the level requested. We are also recommending a number of changes to the 1987 appropriation which will help offset some, but not all, of the outlay increases we are proposing in 1988, but which should have minimal effects upon services provided to the public.

FY 1987 Reductions

In the Training and Employment Services account, we have requested $332 million in rescissions. The $57 million Block Grant and $100 million Summer Youth Employment and Training Program rescissions will return the programs to approximately their 1986 levels. While these reductions will help to partially offset our 1988 spending increases, we anticipate that because of large amounts of unexpended balances, these rescissions will have a minimal effect upon services, especially when the Congress enacts new youth training legislation which the Administration has proposed to the Congress.

Another 1987 rescission request would reduce the amount of funds appropriated for the JTPA Title III Dislocated Workers Program by $175 million, leaving only the amount required to finance the program one quarter, from July 1 to September 30, 1987, after which our new proposed comprehensive worker adjustment assistance program will begin operation. This new program will serve three times as many displaced American workers as the current Title III and Trade Adjustment Assistance programs.

For the 1987 Employment Service allotments to States, we are requesting a reduction of $90 million and authority to reallocate excess unspent balances in States. Although this too will help offset our Fiscal Year 1988 Federal spending increases, there are several reasons for this reduction. There remain large unspent balances in some States which when redistributed will partially offset the proposed reduction. Further, there remains substantial flexibility for States to implement cost savings and other improvements that will enable them to maintain services. Finally, and most important, the new worker adjustment assistance program we are proposing would begin October 1, 1987, three months after the start of the 1987 Employment Service Program Year. We foresee many Governors providing a substantial role for the Employment Service in the delivery of services financed by this new program. This new program would have an annual budget which is almost one-third greater than the presently-enacted level for the Employment Service and many times greater than the amount by which we propose to reduce 1987 allotments to States.

Also requested is a transfer of 1987 authority of $808 thousand from the Employment Standards Administration's Salaries and Expenses account to our Program Administration account to partially pay the anticipated costs not budgeted in 1987 for the new Federal Employees' Retirement System.

FY 1988 Requests
Training and Employment Services

Before discussing the FY 1988 request, I would like to tell you about two new programs proposed this year which, although not included in the request before you, influenced a large number of the decisions made during our budget deliberations.

First, the Administration has proposed legislation authorizing a new AFDC Youth program to be financed during 1988 at $800 million. The new program would revamp the current Summer Youth Employment and Training Program. Under this new program, local areas will be authorized to operate a year-round program for youth age 14 to 21 who are parents or children in families receiving Aid to Families with Dependent Children (AFDC). The program will authorize a wide variety of services including job training, literacy training, counseling for drug abuse and pregnancy prevention, child care, and other support services. Under the proposal, local areas could also elect to use a portion--or even all--of the allocated funds for the summer youth jobs program for disadvantaged youth that they have operated in prior years. All local areas will continue to receive allotments. However, funds will be targeted to areas where youth problems are most severe and flexibility will be provided to permit areas to best address their community needs.

Legislation will also be proposed to create a new worker adjustment assistance program. The President's budget proposes $980 million for this major initiative to help America's dislocated workers. The new program will provide a greatly increased level of assistance and will replace the current fragmented approach of training, job search, and cash benefits with one comprehensive program. This new program will be designed to help dislocated workers adjust quickly to changes in their jobs and move on to new careers regardless of the specific causes of their displacement.

The 1988 request for the JTPA Block Grant is $1.783 billion, the same as the revised 1987 level. Because of increased costs and fewer unexpended prior year funds available in 1988, there will be a small decrease in the projected average annual enrollment level, from 324,000 to 309,400. Nevertheless, more than one million economically disadvantaged persons will be served by this program.

The 1988 request for the Summer Program, which would operate during the summer of 1989, is $650 million, approximately the same as the revised 1987 request. It would finance 610,700 summer jobs, slightly fewer than the 1988 summer, due entirely to decreasing amounts of carryover available for the 1989 summer program. The 1986 JTPA Amendments instituted a sub-State hold harmless on allocations; thus, appropriation language to protect local areas against large reductions in funding from one year to another is no longer necessary.

The request for Federally administered programs, including the Job Corps, is $852.5 million, a net decrease of $37.6 million below the revised 1987 level of $890.1 million. Increases of $9.1 million and $4.6 million are requested for Pilots and Demonstrations and the Research and Evaluation programs, respectively. Program decreases are proposed for the Labor Market Information ($500,000) and the National Occupational Information Coordinating Committee ($1,000,000) to return these programs to their 1987 request levels.

The Job Corps request of $651.7 million is $4.7 million less than the 1987 level. The request will continue to support the 40,500 slot level financed in 1987. The decrease is possible because of a number of cost saving initiatives which will be undertaken, including the closing of high cost, less efficient centers and the transferring of slots to remaining centers; the application of competitive procurement procedures to Federal centers presently operated by the Departments of Agriculture and Interior at substantially higher cost than the other centers; and the full implementation of successful aspects of 1986-financed pilot and demonstration efforts to improve program outcomes and reduce program costs.

No funds are requested for retraining, job search, and relocation assistance under the Trade Act of 1974. Resources are provided for these activities through Fiscal Year 1987. The new $980 million worker adjustment program will replace the Trade Act programs with a more comprehensive and, we believe, more effective program to assist Trade affected and other dislocated workers.

Also, no special funding beyond that provided through JTPA formula allocations is requested for the four Rural Concentrated Employment Program service delivery areas. These four specified service delivery areas would be financed at levels determined by JTPA formula, the same as the other approximately 600 service delivery areas.

Community Service Employment For Older Americans

The request for the Community Service Employment for Older Americans program is $326 million, the same amount available in 1987. It is divided between two budget activities: National Programs, funded at $254.3 million, and State Programs, funded at $71.7 million. Funding provided in 1988 will support activities during the program year beginning July 1, 1988, and will finance an average enrollment level of 63,780. Legislation is being proposed to extend this program beyond Fiscal Year 1987.

State Unemployment Insurance and Employment Service Operations

The 1988 request for State Unemployment Insurance and Employment Service Operations is $2.4 billion. These funds finance State administrative costs of unemployment insurance and employment service activities and comprise $2.4 billion in trust funds and $23.4 million in general revenue funds.

For unemployment insurance operations we are requesting $1.7 billion, which will support workloads anticipated under the projected insured unemployment rate of 2.5 percent. The basic funding rate for unemployment insurance will finance costs associated with workloads averaging 2.0 million claims per week nationally. Administrative costs associated with workloads above the base level will be financed from the contingency fund.

In addition to net mandatory increases of $48.7 million, we are requesting net additional funds of $51.5 million over the revised 1987 level. These increases will allow for more timely processing of workload, improve the quality of services, and provide full year financing for the expanded Quality Control program sample size. The 1988 request also provides a total of $20 million for upgrading State automated systems for benefit payments and collection of taxes, and $4.6 million for the separate financing of amortization payments to the five States that had independent retirement plans in their State Employment Service Agencies prior to 1980.

The request for the Employment Service of $688.6 million is comprised of $665.2 million in formula State allotments for Program Year 1988, and $23.4 million for National Activities. The $665.2 million in formula State allotments is the same as the proposed 1987 level of operation, and is accompanied by new appropriation language which would authorize the redistribution of prior year excess unspent Wagner-Peyser grant funds among the States. The $23.4 million for National Activities reflects adjustments for expected cost increases of $0.8 million.

Based on an extensive review of the UI administrative financing system and a consultative process involving all interested groups, the Administration has proposed legislation to decentralize authority, financing and responsibility for administering the State unemployment insurance program to the States.

Also, a major review of the public Employment Service has been conducted which addresses its role in relation to current and future labor market needs. Based on this review, the Administration has proposed legislation to refocus Employment Service activities and to decentralize authority, financing, and responsibility for administering the Employment Service to the States.

Advances To The Unemployment Trust Fund and Other Funds

A total of $30 million is being requested for this account to provide general revenue advances to the Black Lung Disability Trust Fund. Account balances in the Unemployment Trust Fund and the amount requested in 1988 for the Federal Unemployment Benefits and Allowances general fund appropriation account are expected to be sufficient for payment of benefits.

Federal Unemployment Benefits and Allowances

The Federal Unemployment Benefits and Allowances appropriation request is $141 million. The request includes $3 million for unemployment benefits and for health and pension costs on behalf of individuals covered under the Redwood National Park Expansion amendments, and $138 million for unemployment benefits for individuals covered under the Trade Act of 1974, as amended. Upon enactment of the proposed worker adjustment assistance program, the request for Trade Act benefits will be reduced to an amount necessary to pay recurring benefits for those who were collecting benefits during the last week of Fiscal Year 1987.

Program Administration

The 1988 request for ETA's Federal administrative requirements totals $117.0 million and will support 1,679 full-time equivalent (FTE) positions. This is a net increase of $1.3 million and a net decrease of 98 positions from the 1987 comparable levels of $115.7 million and 1,777 FTE positions.

This concludes my statement, Mr. Chairman. My staff and I will be glad to answer any questions you, or members of the Subcommittee, may have.

STATEMENT OF STEPHEN I. SCHLOSSBERG, DEPUTY UNDER SECRETARY, LABOR-MANAGEMENT RELATIONS AND COOPERATIVE PROGRAMS

Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to appear before you as the Deputy Under Secretary for Labor-Management Relations and Cooperative Programs to present the budget request for fiscal year 1988.

The fiscal year 1988 request for the Bureau is $5,951,000 and 71 positions. From FY 1987, this is a net program increase of $668,000 and 3 positions. These additional funds will be used to support a broad base of initiatives designed to prepare the Bureau to contribute meaningfully to the efforts of the nation to cope with the social and economic issues of the 1990's and beyond.

The Bureau's Industrial Adjustment Service will provide critical technical assistance to states and to companies, unions, and workers to demonstrate the effectiveness of labor-management cooperation in avoiding or reducing the adverse effects of plant closings or mass layoffs. We will promote the use of an early warning system to identify plant shutdowns and the establishment of labor-management out-placement committees. To handle this crucial work, four existing positions within the Bureau have been reallocated from the Redwood and the Outreach and Technical Assistance Programs, and we request one new position and $30,000.

Two additional positions and $150,000 are requested to expand the Bureau's targeted information program and to support new initiatives regarding emergent issues in labor-management relations, such as: (1) the human resource implications of an aging labor force; (2) the meeting of work and family life; (3) the design and deployment of new technologies and production systems; and (4) the rapid growth of a contingent work force.

Illustrative of the Bureau's most recent efforts is its sponsorship, in cooperation with the AFL-CIO and the National Association of Manufacturers, of a major national conference on work and family issues to be held in March. This event will bring together leaders from management, labor, academia and community organizations to consider the advantages of new employment policies and practices such as alternative work schedules, child care assistance and the flexible benefit plans in reconciling the conflicting demands of the workplace and the home.

Through the Targeted Information program, the Bureau seeks to target its program to particular audiences and to enlist the support of other organizations whose missions are in support of these goals. An excellent example of this is the Bureau's collaboration with the Federal Mediation and Conciliation Service (FMCS) to develop an experimental learning process that can prepare teams of labor and management to undertake a joint program within their own enterprise.

The Bureau is requesting an increase of $130,000 to: (1) continue a study of the Nation's labor laws and collective bargaining traditions and practices that may inhibit improved labor-management coopertion; (2) participate in an interagency project of labor-management cooperation in an urban setting; and (3) continue to seek partnerships with business schools in preparing young managers for labor-management relations and cooperation.

This request also includes increases of: (1) $100,000 for the research program to expand our understanding of the changes occurring in collective bargaining and labor relations, and the processes that drive these changes; (2) $100,000 to enhance the travel budget to accommodate the initiatives described above; and (3) $35,000 to enhance the Bureau's printing budget to sustain the growing public interest in our programs.

Our remaining request will continue to be utilized: (1) to encourage and promote labor-management cooperation through information-sharing, education and training materials, conferences and symposia, and a research program; (2) to provide required protections to employees affected under the Urban Mass Transportation Act, the Airline Deregulation Act, and other Federal assistance programs; and (3) to assist the Secretary and other top Administration officials in carrying out their responsibilities in the labor-management relations area.

Thank you, Mr. Chairman, for the opportunity to make this statement. I will be glad to respond to any questions you may have.

STATEMENT OF SALVATORE R. MARTOCHE, ASSISTANT SECRETARY FOR LABOR-MANAGEMENT STANDARDS

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to appear before you as Assistant Secretary for Labor-Management Standards to present the budget request for fiscal year 1988.

As you know, the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA) was signed into law on September 14, 1959. The LMRDA was designed to correct and prevent abuses found to exist by the Select Committee on Improper Activities in the Labor-Management Field. The legislation was enacted to provide for "the reporting and disclosure of certain financial transactions and administrative practices of labor organizations and employers, to prevent abuses in the administration of trusteeships by labor organizations, to provide standards with respect to the election of officers of labor organizations and for other purposes."

As our record indicates, the Office of Labor-Management Standards is strongly committed to eliminating or preventing improper or corrupt practices by labor organizations and their officers and representatives and combating those serious violations of the LMRDA which interfere with democratic processes within labor organizations.

Our budget request for the coming year is for $26,020,000 and 440 FTE. This is a 9.6% increase over FY 1987, when we had an approved budget of $23,735,000. All but $150,000 of the increase this year is attributable to mandatory increases for pay adjustments, retirements and inflation. The only actual program increase requested in this budget is $150,000 included in the travel category. This increase is requested to cover the additional costs associated with investigating violations occurring at construction site projects, enhancing our compliance assistance and liaison activities, and expanding our investigator training program.

For an agency our size, we have maximized our efforts in protecting the rights of the individual union member. We are presently reevaluating every aspect of the way we do business, commensurate with fulfilling our responsibilities under the law.

During the past year, our compliance and enforcement efforts were the most successful in our agency's history. We were able to continue a progressive four year upward trend of working with unions, informing and educating them as well as producing indictments and convictions of union officers and employees who committed criminal breaches of trust of their union positions. OLMS closed 408 embezzlement cases and initiated 157 criminal actions amounting to approximately $1.9 million in embezzled funds. These actions resulted in 151 convictions and pretrial diversion agreements.

Election oversight remains the cornerstone of our operation. In FY 1986 we opened 161 election cases, supervised 49 reruns of elections, handled 42 LMRDA civil actions and achieved voluntary compliances in 18 cases in our election and trusteeship area.

In addition to these accomplishments, OLMS supervised the union officer election of Local 1199, Hospital and Health Care Employees, in New York City which involved the preservation of rights for more than 80,000 union members and proved to be the largest single programmatic undertaking of the year.

Also during the past year, new Compliance Audit and International Compliance Audit Program operating procedures were implemented nationally. Work continued on the review of employer and consultant reports and an on-going cross-checking system was developed to insure proper compliance with Title II of the Act. Further, a wide-range of liaison/compliance assistance programs were provided to international and national labor organizations to promote greater understanding of and compliance with all of the provisions of the Act. Several new and revised publications were published to provide increased information to those affected by the Act as well as to address specifically indentified compliance assistance needs. Finally, nationwide training of OLMS personnel was conducted as part of our continuing effort to improve the overall quality of audits and civil and criminal investigations.

During FY 1987, continuing emphasis will be placed on a well-balanced program of civil and criminal investigations, as well as financial audits. As mandated by law, the union officer election investigations and supervised elections will continue to receive priority attention. In addition, OLMS intends to enhance its efforts in achieving an effective liaison/compliance assistance program by establishing and maintaining regular contact with top level international and national union officials. In so doing, we hope to provide continuing assistance to international union officials in order to improve compliance with the LMRDA by the parent body and its affiliated unions and develop cooperative agreements whereby common civil violations of the LMRDA by affiliated unions will be corrected at the international union level. If we are successful in this effort, we would reduce the need for OLMS investigations and would establish an effective communication with international union officials in regard to LMRDA-related matters.

During FY 1988, OLMS will continue to develop new investigative/audit approaches, including one aimed primarily at union membership card selling and other criminal violations occurring at large construction site projects. In the reporting and disclosure area, we will continue to refine our new delinquent reports program in order to reduce the currently unacceptable rate of delinquent labor organization annual financial reports. We plan to enhance our liaison and compliance assistance programs to maintain contact with top level international and national union officials and to encourage union members to exercise their rights under the LMRDA and thereby reduce the need for investigations and remedial actions by OLMS. Finally, we plan to expand our investigator training program and provide computer fraud training, training in related statutes, and other needed investigative topics.

Mr. Chairman, I thank you for the opportunity to present our program accomplishments and initiatives to the Subcommittee and I will be glad to respond to any questions you may have.

STATEMENT OF DENNIS M. KASS, ASSISTANT SECRETARY, PENSION AND WELFARE BENEFITS ADMINISTRATION

Mr. Chairman and members of the subcommittee, we appear before you today to share in the presentation of the Labor-Management Services fiscal year 1988 budget, which totals $79,806,000 and 1,003 FTE.

I will present the Pension and Welfare Benefits Administration portion.

The fiscal year 1988 budget request for PWBA totals $47,835,000 and 492 FTE, and reflects the minimum resources required to meet our enforcement and information system objectives through the 1988 budget year.

Private sector employee benefit plans are increasingly important to American workers and to our economy. Pension plan assets, which continue to grow at an impressive rate, represent a trillion dollar savings pool that funds retirement benefits for more than half of today's working population. The prudent management by plan fiduciaries of these trusteed funds is our primary charge at the Department of Labor.

In order to meet our responsibilities, we are working to achieve greater regulatory flexibility in connection with the investment of plan assets, while safeguarding the rights and interests of plan participants and beneficiaries. We are also working to strengthen our enforcement operations, and to improve ERISA reporting and disclosure.

The past year was highly productive and featured major initiatives in several areas. PWBA developed and implemented a new enforcement strategy that will target our scarce investigative resources on a limited number of areas of serious abuse involving both pension and welfare benefits plans. We have expanded and improved our training programs and enforcement supervision and have made substantial progress in laying plans for an automated ERISA information system. Major achievements in our regulatory program included issuing a final regulation defining what constitutes plan assets and clarifying who is a fiduciary when a plan invests in certain types of activities; advisory opinions based on investment performance; proposed changes to simplify and make more useful the Forms 5500; and more.

During fiscal year 1987 enforcement and regulatory responsibilities will continue to be our highest priority. Key projects will include refining the data needs and applications related to a comprehensive ERISA information system, updating the Department's current longitudinal data base, and developing more specialized training programs.

The ground work has been laid for a major modernization of the system for the receipt, collection, dissemination and analysis of data collected through the annual reports, and for continued improvements in the enforcement program.

PWBA's fiscal year 1988 budget request includes resource levels for the development of a series of standardized audit guides, additional training programs, enforcement related travel and expert witness assistance. These support our new enforcement strategy by increasing professional competence, ensuring adequate geographic coverage and providing access to essential specialized technical assistance. In addition, approval of funds to continue our initiative to develop and implement an automated ERISA information system will aid enforcement strategy targeting and improved regulatory and research activities.

Mr. Chairman, that concludes my opening statement, I would be pleased to respond to any questions you may have.

STATEMENT OF KATHLEEN P. UTGOFF, EXECUTIVE DIRECTOR, PENSION BENEFIT GUARANTY CORPORATION

I am pleased to appear before you today to present the Fiscal Year 1988 budget for the Pension Benefit Guaranty Corporation (PBGC).

The PBGC is by statute a self-financing, wholly owned government corporation that provides vital insurance protection to more than 38 million active and retired workers in over 112,000 private defined benefit pension plans. Covered plans are required by law to pay a premium that is the PBGC's major source of revenue. Although we receive no annual appropriations from the Congress, the PBGC's revolving fund is part of the Federal budget and there is a limitation on the amount of our resources that may be used for administrative expenses.

The FY 1988 Budget Request

The PBGC's FY 1988 budget request is divided into three activities: Obligations for Benefit Payments, Financial Assistance, and Program Administration.

The budget includes $741.9 million to provide benefit payments to vested participants and beneficiaries for FY 1988. This amount, which is $225.2 million more than our FY 1987 revised estimate and $452.3 million more than our FY 1987 original estimate, is based on our projections that by the end of FY 1988, the PBGC will be making payments to 177,000 participants and beneficiaries in terminated plans.

The budget includes $3.1 million for the PBGC to provide financial assistance payments to insolvent multiemployer plans that are expected to be unable to pay guaranteed benefits when due to vested participants. The FY 1988 estimate of $3.1 million for financial assistance represents no change from our FY 1987 estimate.

For program administration functions, the budget includes $40.4 million and 494 FTE. These amounts represent increases of $3.6 million and 4 FTE as compared to our FY 1987 budget. This level of administrative resources will enable us to reduce our backlogs in processing standard and distress terminations. The increases will also enable us to improve premium collections and to cover additional litigation expenses related to a few very large cases that we are currently pursuing.

Financial Condition

We now estimate that with the termination of the LTV plans the PBGC's deficit will be $4.2 billion by the end of FY 1987. This figure is almost 3 times the projected figure in last year's budget. This alarming increase in the PBGC's deficit occurred in spite of the passage of SEPPAA of 1986. The purpose of that legislation was to improve the PBGC financial position by raising the premium and introducing reforms which require plan sponsors to become more responsible for their pension promises. No longer, can troubled companies terminate plans at will in order to ease financial status. Financial distress must now be determined before a plan can terminate. Another significant provision increased employers' liability to the PBGC when underfunded plans are terminated.

This budget reflects legislation that will be proposed to address the increase in the PBGC's deficit by instituting a new variable rate premium structure that will increase our total income in FY 1988 and improve the incentives facing plan sponsors. The Administration will also propose separate legislation containing proposed changes in minimum funding standards that will reduce drains on the program in the future.

LTV Plan Terminations

The recent terminations of the LTV steel plans mean that the PBGC has assumed benefit payment responsibility for an additional 108,600 participants, over half of which are currently retired and in pay status. Annual benefits to the four LTV Steel plans are estimated to be almost $400 million.

The total liabilities of the four terminated LTV Steel pension plans are estimated at $3.6 billion while assets total only $1.3 billion--the PBGC is responsible for funding the $2.3 billion shortfall. While I want to emphasize that the LTV retirees and other retirees currently being paid by the PBGC are in no immediate danger of not being paid their benefits up to the PBGC's legal limit, the retirement income security provided by this insurance program could be jeopardized if no action is taken to reform the system. Adoption and implementation of needed reforms will grow more difficult the longer they are delayed.

Program Reforms

This budget reflects legislative changes to be proposed that build on the SEPPAA reforms. Legislative revisions are necessary if the Corporation is to operate on a financially sound basis and continue to insure pension security to the 38 million Americans protected by the PBGC.

The present single-employer insurance program gives high risk plans no incentive to improve funding levels because the premium rate paid is not directly related to the plan's funding status. Conversely, the present insurance program provides incentives for employers with well funded plans to eliminate their defined benefit plans (incidentally reducing premium income) because of the inequities inherent in the flat-rate premium.

To correct this problem, the PBGC will propose a variable rate premium structure which would improve the PBGC's rapidly declining financial status in a responsible way, while mitigating the disincentives of the current system. In short, a variable rate premium structure would permit the Corporation to charge higher premiums to those employers who do not adequately fund their premium promises. This would encourage healthy companies that adequately fund thier plans to remain in the defined benefit system.

In addition to the variable rate premium provision, the Administration will also propose a separate proposal to make changes to the minimum funding standards to protect plan participants and the PBGC from the inadequate funding that has occurred in the past. Cases such as Allis-Chalmers and LTV demonstrate the inadequacy of the current minimum funding standards provision of ERISA. Allis-Chalmers had enough assets for only one month of benefit payments at the time of termination, yet the plan had never received a funding waiver, nor had the employer ever failed to make a required contribution to the plan.

The PBGC was forced to take over the Republic salaried plan of LTV Steel in September of 1986. At the time the PBGC stepped in, the plan had only $7,700 in assets available to pay benefits. The underfunding in that plan was $230 million. These two cases clearly demonstrate that the minimum funding standards must be changed.

Conclusion

While it is clear that there are no easy or overnight solutions, I am confident that the budget with its increased revenues, structural reforms, and continued focus on efficiency will result in the accomplishment of the Corporation's goal of greater retirement income security.

Thank you, Mr. Chairman for the opportunity to testify today. I will be happy to answer any questions that you may have.

STATEMENT OF SUSAN R. MEISINGER, DEPUTY UNDER SECRETARY, EMPLOYMENT STANDARDS ADMINISTRATION

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today representing the Employment Standards Administration (ESA) of the Department of Labor.

The Employment Standards Administration's FY 1988 budget request for Salaries and Expenses is for $244,879,000 and 3,892 full-time equivalent (FTE) staff years. This represents a funding increase of $27,042,000 compared to the FY 1987 level, which is required to maintain critically needed service delivery and quality assurance for our essential program operations. The staffing level reflects a net decrease of 88 FTEs from the 1987 level. An increase of 12 FTEs is requested for the Wage and Hour Program to better manage the increasing workloads in the wage survey and wage determinations functions for Davis-Bacon and Related Acts. A reduction of 100 FTEs will be taken from administrative overhead areas. These reductions will be implemented while maintaining or increasing enforcement and claims adjudication efforts. To the extent possible, the reductions will be handled through attrition.

The Special Benefits fund request for FY 1988 is for $1,216,000,000 of which $174,000,000 is a direct appropriation to the Department of Labor and of which $1,042,000,000 are reimbursements from other agencies. In FY 1987, there is a possible problem in the Special Benefits account with the collection of reimbursements from other agencies. The Postal Service did not receive an appropriation in 1986 or 1987 to cover FECA costs incurred by the former Post Office Department prior to July 1, 1971. They are requesting a supplemental appropriation of $79,177,000 to cover amounts owed to ESA for those two years. If this supplemental is not approved, ESA will be unable to meet the FY 1987 obligations within existing resources. FY 1987 resources have already been reduced because of the necessity to draw down against them in FY 1986 due to nonreceipt of the Postal Service reimbursement. The FY 1988 Black Lung Disability Trust Fund request is for an appropriation of $687,000,000.

In FY 1987, we will continue to place priority on the delivery of efficient and effective services to the public by continuing measures that will reduce or contain overall expenses and increasing attention to productivity improvement in conjunction with the Administration's productivity goals.

The remainder of my statement will address our 1988 request.

Enforcement of Wage and Hour Standards

A total of $84,605,000 and 1,419 FTEs is requested for the Wage and Hour Division to enable the program to respond to complaints on a timely basis and further promote voluntary compliance.

We will continue vigorous enforcement of the wide range of laws that establish standards for wage and working conditions covering virtually all private employment. Our major objective is to achieve compliance by employers through direct enforcement activities and by promoting voluntary compliance including resolution of complaints. Approximately 84,300 compliance actions will be completed under the wage and labor standards mandates, including the Fair Labor

Standards Act, Government Contracts labor standards, and the Migrant and Seasonal Agricultural Worker Protection Act.

Federal Contractor EEO Standards Enforcement

A total of $51,186,000 and 860 FTEs is requested for the Office of Federal Contract Compliance Programs (OFCCP) to enable the program to increase compliance reviews, eliminate complaint inventories, and service complaints on a timely basis.

We will continue to fulfill our mission to assure equal employment opportunity by Federal contractors by enforcing the contractual obligations imposed under Executive Order 11246, Section 503 of the Rehabilitation Act of 1973, and 38 U.S.C. 2012. Continued emphasis will be placed on maintaining quality control measures and fostering voluntary compliance. Over 5,400 compliance reviews will be conducted under the Executive Order and the handicapped and Vietnam veterans´ mandates. Complaint servicing will be maintained at normal pipeline levels through the completion of 1,000 complaint investigations and resolutions.

Federal Programs for Workers´ Compensation

In the Workers´ Compensation programs, we will continue to improve the responsiveness and efficiency of all compensation programs. Special emphasis will be placed on quality claimant service, as well as controlling costs and vulnerability to fraud, waste, and mismanagement.

Federal Employees´ Compensation Act

A total of $58,403,000 and 900 FTEs is requested to administer the Federal Employees´ Compensation Act (FECA) program and enable the program to reduce claims inventories and assure that payments are being made properly.

The program´s primary improvement effort will be focused on the continued enhancement and expansion of the FECA automated capabilities, including replacing and augmenting old equipment. Special attention will continue to be given to expanded rehabilitation and reemployment of claimants and debt collection activities.

Longshore and Harbor Workers´ Compensation Program

A total of $7,716,000 and 144 FTEs is requested for the Longshore and Harbor Workers´ Compensation Program to increase the accuracy and timeliness of claims processing activities.

Emphasis will be on improving claims processing and adjudication services. The program will continue the comprehensive technical assistance program for employers, insurance carriers, and covered employees. In FY 1988, the evaluation of the design and operation of the Automated Special Fund Benefit Pay and Assessment System and the development of second generation software requirements for the Longshore Case Management System are major priorities.

Black Lung Program

Resources requested for the Black Lung Program are for $27,227,000 and 366 FTEs to enable the program to effectively manage the established caseload. The basic objectives of the Black Lung Program continue to be the timely and accurate determination of eligibility, the prompt delivery of appropriate benefits and medical services to beneficiaries, and support for the processing of hearings and appeals, and to further increase the effectiveness of the management of the program´s debt portfolio.

Executive Direction and Support Services

A total of $15,742,000 and 203 FTEs is requested to provide vital support to the major program activities. This activity will continue to provide efficient and effective overall policy development and executive direction in support of ESA's operational programs nationwide. Major attention will be devoted to the Governmentwide productivity improvement goals. EDSS will also continue implementing initiatives for more effective and cost efficient management of information resources, and the Agency's five-year Strategic Plan for developing an agency-wide management information system.

Conclusion

Mr. Chairman, this concludes my formal statement. The budget request reflects our continuing commitment to protect the interests of workers while keeping the costs for the delivery of these services as low as possible. My staff and I will be pleased to answer any questions which either you or members of the Subcommittee may have.

STATEMENT OF JOHN A. PENDERGRASS, ASSISTANT SECRETARY, OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

Thank you for this opportunity to present the Occupational Safety and Health Administration's fiscal year 1988 appropriation request, which provides for the necessary expenses of the Agency to carry out the purposes of the Occupational Safety and Health Act of 1970.

The Agency is requesting a total of $244,360,000 and the full-time equivalent of 2,211 positions -- a net increase of $15,433,000 from the estimated amount for fiscal year 1987. This request allows for net mandatory and financing increases of $12,883,000. The request also includes the following program increases:

-- $550,000 to provide for the increased costs of household moves by compliance staff;

-- $2,000,000 to provide for new and replacement technical equipment for OSHA's compliance officers and laboratories.

The request for fiscal year 1988 will enable OSHA to:

-- conduct an estimated 59,000 worksite inspections in 1988, including 12,000 health inspections -- 2,000 more health inspections than are projected this year;

-- In addition, State safety and health inspectors in plan States are expected to conduct 100,400 worksite inspections under Federal matching grants, including 13,300 health inspections -- 1,800 more than the number estimated for 1987;

-- State personnel providing Federally supported consultation in 45 States and jurisdictions will make approximately 30,600 worksite visits, including 4,800 training and assistance visits.

The agency promotes a mix of regulatory and non-regulatory activities that includes standards development, inspections, consultation, education, training, statistics, State programs, Federal agency programs, and voluntary employer/employee protection programs:

-- Comprehensive safety and health standards will be developed and promulgated which are enforceable and provide quality protection to the American workforce.

-- Inspections will continue to be targeted in high-hazard industries, with special emphasis on health inspections, hazard communication in manufacturing plants, and trenching and excavation at construction worksites.

-- A full range of technical services will be provided to support OSHA's program operations;

-- We anticipate increased participation in voluntary protection programs, which recognize private sector firms with exemplary safety and health programs.

I would like to emphasize that I am optimistic about the place of occupational safety and health today. On-the-job protection is recognized as a key issue in the workplace, along with productivity, quality, and economic growth. There is greater cooperation between labor and management on safety and health issues. Continued progress, however, demands a coalition of labor, management, and government.

Here in OSHA we have set four goals to help us achieve our agenda for the next two years and thereafter:

1. To coordinate all of OSHA's resources to ensure workplace protection. This means expanding our employer assistance programs and our voluntary protection efforts, to go beyond the minimum standards mandated by our enforcement effort;

2. To make sure that our regulatory process addresses current and emerging hazards, and is supplemented by non-regulatory approaches;

3. To expand our partnership with the private sector, and with Federal, State, and international agencies;

4. To expand the professional development of our staff -- to ensure state-of-the-art skills for combating tomorrow's hazards.

I am proud of this administration's record on occupational safety and health. And we can expect even greater accomplishments in the future, as we work together to strengthen the nation's safety and health resources.

Thank you, Mr. Chairman. This concludes my statement. I will be pleased to respond to any questions.

STATEMENT OF ALAN C. MCMILLAN, ACTING ASSISTANT SECRETARY, MINE SAFETY AND HEALTH ADMINISTRATION

I am pleased to appear before you to present the fiscal year 1988 appropriation request for the Mine Safety and Health Administration. This request totals $167,288,000 and 2,809 staff years to conduct mine safety and health activities. This is an increase of $8,867,000 and a decrease of 100 administrative support staff years from 1987. The increase is based on increased inspection and assistance activities and on mandatory cost increase.

Before we discuss MSHA's budget request for fiscal year 1988, I would like to outline MSHA's role in mine safety and health and to discuss how best to execute those duties.

I fully support the Administration's philosophy of cooperative efforts by management, labor and government in improving mine safety and health. In my view, the Mine Safety and Health Administration can both ensure compliance with the law and assist in other activities which result in improved safety and health. The Agency should therefore continue to focus on the additional functions of technical and educational assistance, as well as conducting the mandatory activities required by the Mine Act.

I support the President's commitment to improve the efficiency of Government and to reduce unnecessary burdens on industry as well as to improve health and safety. We will continue our review of MSHA's regulations.

Enforcement

A total of $120.1 million and 2,128 staff years is requested for enforcement activities at both coal and metal and nonmetal mines. This is an increase of $6.7 million and will provide for an additional 2,854 mine safety and health inspection events. The request includes a reduction of 100 administrative support staff years due to management improvements. The resources requested for 1988 will provide an estimated 33,990 regular health and safety inspections. In addition to these inspections, the budget request includes 77,004 other follow-up inspections, investigations and education and training activities.

Assessments

A total of $2.2 million and 58 staff years is requested for the Assessments program for 1988. This is an increase of $148 thousand from 1987.

In both 1987 and 1988, the Assessment activity will continue to assess civil penalty cases, and to collect and account for all penalties paid.

Educational Policy and Development

A total of $12.2 million and 101 staff years is requested for Educational Policy and Development in fiscal year 1988. This is an increase of $391 thousand from 1987. The Mine Academy will provide 40,000 student days of instruction in mine safety and health subjects in both 1987 and 1988. A total of $5.2 million is included for the State Grants program in 1988 for 47 participating states.

Technical Support

A total of $21.3 million and 342 staff years is requested for Technical Support activities in 1988. This is an increase of $889 thousand from 1987.

The Technical Support activity will continue to provide direct support to MSHA's enforcement activities by making its technical expertise available to solve mining problems to further the health or safety of miners.

Program Administration

A total of $11.6 million and 180 staff years is requested for Program Administration, an increase of $758 thousand from 1987. The Program Administration activity will provide policy direction and administrative support for MSHA's safety and health programs.

Conclusion

The resources requested in MSHA's 1988 budget will allow us to do our part in continuing the long-term downward trend in injuries and fatalities at the Nation's mines.

Mr. Chairman, that concludes my prepared statement. I welcome this opportunity to respond to any questions you have.

STATEMENT OF DR. JANET L. NORWOOD, COMMISSIONER, BUREAU OF LABOR STATISTICS

I appreciate this opportunity to appear before before you to present the appropriations request of the Bureau of Labor Statistics (BLS) for Fiscal Year 1988.

This Committee is well aware of the importance of the broad range of economic statistics which BLS produces in the areas of employment and unemployment, prices, wages, industrial relations, productivity, and economic growth. The FY 1988 request of $228.7 million will enable the Bureau to maintain the quality of these core statistical programs. The increase of $23 million over our FY 1987 appropriation largely reflects the $14.7 million necessary to cover rising costs over which the

Bureau has no control, such as pay and retirement, increases in State salary and operating costs, and space rent. Also, this increase reflects the fact that our budget now includes $5.9 million for the National Longitudinal Survey which the Secretary has decided to transfer to the BLS from the Employment and Training Administration.

Funds are also requested to continue the government-wide revision of the Standard Industrial Classification (SIC) system as mandated by the Office of Management and Budget. The SIC Revision, which will be completed in FY 1991, updates the federal government's classification of business firms and industries to reflect the structural and technological change in the U.S. economy since 1972.

Finally, the budget request includes one program increase to test the application of new technology in the Consumer Price Index program. On several occasions, I have expressed to the Committee my strong belief that we must invest in new technology to maintain the quality, improve efficiency, and control the costs of our programs. This proposal would test the use of computer assisted techniques in telephone interviews, personal interviews, and outlet selection in the CPI program. If these efforts prove successful, some of these techniques may be applied to other Bureau programs.

Partially offsetting this increase is a planned reduction in the CPI Revision program. Although a revised CPI for January 1987 data will be released in February 1987, some work must continue in 1988 to complete the planned 5-year revision effort.

We at the Bureau of Labor Statistics remain committed to the production of data that are timely and relevant, and of high quality, while carefully controlling costs.

Mr. Chairman, I am ready to answer any questions you may have. Thank you.

STATEMENT OF THOMAS C. KOMAREK

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to appear before you. I am prepared today to outline for you the budget recommendations for the Departmental Management, Salaries and Expenses, and Special Foreign Currency appropriations.

Departmental Management -- Salaries and Expenses

Activities financed by this appropriation are responsible for formulating and overseeing the implementation of policy and management of the Department. In addition, this appropriation includes a variety of operating programs and activities which do not logically fall within the administration of other programs of the Department. In addition to providing funds for executive direction, adjudicatory, and management functions of the Department, this appropriation provides funds for:

the Bureau of International Labor Affairs,
the Solicitor's Office,

the President's Committee on Employment of the Handicapped,
the Women's Bureau, and
the Directorate of Civil Rights.

The budget request for Fiscal Year 1988 for the Departmental Management Salaries and Expenses appropriation is $144.4 million and 2,000 FTE, of which $120.3 million is from general funds, $300 thousand is from the Unemployment Insurance Trust Fund and $23.8 million is from the Black Lung Disability Trust Fund within the Employment Standards Administration.

The Fiscal Year 1988 budget request reflects net non-program increases of $13.4 million and program increases totaling $2.0 million and 11 FTE offset by program decreases of $4.5 million for a net increase of $10.9 million and 11 FTE. The program reductions are distributed as follows: $3.0 million associated with the study of drug abuse in the workplace which was fully funded in FY 1987 for two years; and $1.5 million associated with a one-time increase to reduce the large backlog of black lung cases in adjudication. Program increases are distributed as follows: $222 thousand and 5 FTE to provide for additional staff for the Office of the Assistant Secretary for Policy; $200 thousand for contract research for the Office of the Assistant Secretary for Policy; $250 thousand for hosting an ILO World Training Conference; $236 thousand and 6 FTE for increased staff resources for Bureau of International Labor Affairs in the trade area; $1.0 million for increased funding for Data Communications Architecture; $75 thousand for publication of Administrative Law Judges decisions; and $49 thousand for ADP equipment and training for the Employees' Compensation Appeals Board.

Departmental Management - Special Foreign Currency

The budget request for Special Foreign Currency in Fiscal Year 1988 reflects the Administration's policy to phase out this type of appropriation throughout the Federal Government. No resources are requested because so few currencies remain that are in excess to the normal requirements for the United States. Future resources required for the types of activities performed by this appropriation will be requested in the Departmental Management, Salaries and Expenses appropriation as necessary.

I appreciate the opportunity to appear before the Subcommittee. Here with me today are other officials of the Department whose organizations are funded by this appropriation. We will be happy to answer any questions.

STATEMENT OF HAROLD RUSSELL, CHAIRMAN, PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

Mr. Chairman, it is a pleasure for me to appear before you today to testify on behalf of our Fiscal Year 1988 budget. I welcome the opportunity to share some of the new plans developed over the past few months by the President's Committee as it prepares to move with greater efficiency and accountability to meet the challenges of increasing employment opportunities for our nation's citizens with disabilities.

We have come before you, each year, with planned projects and a record of on-going activities. The President's Committee's many achievements have occurred through the unique blend of Federal level guidance, private sector support and volunteer expertise. The Committee was created in such a manner that it could be free to adopt and use the best from the national, state and local levels and to push its many projects beyond what more conventional federal entities could attain. A small staff with a large body of volunteer committee members has allowed the Committee to mobilize virtually thousands of individuals to work toward increasing the opportunities for training, employment, advancement and for retention of persons with disabilities.

Last year a Harris Poll was conducted designed to determine the attitudes and experiences of people with disabilities. One of the areas explored was employment. According to the Poll, two-thirds of all Americans with disabilities between the ages of 16 and 64 are not working. Sixty-six percent of those surveyed said they would like to have a job. This lack of utilization of the skills and abilities of our citizens with disabilities can not continue and we are determined to use all resources available to us to ensure equal opportunity, independence and self-sufficiency for those who want to work.

The Committee has undergone a major reorganization and we are more prepared today then ever before to address the employment-related issues facing our nation's citizens with disabilities. Many of the initiatives in our 1987 Workplan will carry-over or be implemented in FY 1988 within our existing resources. Therefore, our budget proposal for FY 1988 calls for no program increases above our FY 1987 level.

In FY 1988, our concentration will be in these areas:

1) follow-up on initiatives from the 1987 Harris Poll of employers to determine their attitudes and understanding about employing people with disabilities, analyze the findings and take appropriate actions;

2) provide technical, legislative and program support to the employment efforts of the Governors' and local Committees on Employment of the Handicapped to increase employment opportunities at the grass-roots level. One major means of accomplishing this will be by conducting our Annual National Conference on Employment of People with Disabilities in a different region of the country every other year. The conference site for 1987 is Denver, Colorado;

3) refine our 5-year action plan based upon employment issues and needs of persons with disabilities;

4) work with the Social Security Admninstration, insurance carriers and others to reduce disincentives that prohibit or discourage persons with disabilities from entering the labor force;

5) continue to expand and promote the Job Accommodation Network (a national computerized service for employers, providing information about accommodations for workers who are disabled);

6) advise the President on policy, consult with the Congress on legislation, and coordinate with the administration on the development and enforcement of regulations;

7) continue to hold state and local cross-cutting conferences, "Pathways to Employment," bringing together leaders from a variety of walks of life to discuss how people with disabilities can be prepared for jobs with promotional opportunities;

8) develop projects which would bring people with severe disabilities into the labor force, e.g., a national

conference on work incentives for people with disabilities to seek employment;

9) implement a high school/high tech project for disabled students around the country;

10) serve as the national resource on employment needs of people with disabilities; and

11) gather and disseminate information and technical assistance.

Mr. Chairman and Members of the Committee, I thank you for the opportunity to appear before you today and I know you share my concern of equal opportunity for all citizens of our great nation.

STATEMENT OF DONALD E. SHASTEEN, ASSISTANT SECRETARY FOR VETERANS' EMPLOYMENT AND TRAINING, EMPLOYMENT AND TRAINING SERVICE

Thank you for this opportunity to discuss with you the Fiscal Year 1988 Department of Labor Budget proposal as it pertains to veterans' employment and training programs.

Before I provide details about budget matters, I would like to mention a few items about which we in the Office of the Assistant Secretary for Veterans' Employment and Training (OASVET) and Veterans' Employment and Training Service (VETS) are especially pleased and enthusiastic. Consolidating the administration of veterans' programs within the Department in the OASVET has proven beneficial. The Vietnam-era veterans' unemployment rate (4.9%) has continued to be below that of the general labor force (6.6%) in contrast to the situation five years ago. We believe improvements in the delivery of services have contributed to this progress. With the continued favorable employment figures for veterans, we have been able to focus attention on specific targets in an effort to reach the hard to place veterans. Two of these targeted populations are the special disabled and the homeless veterans.

For two years now we have operated a competitive grants program under the Job Training Partnership Act (JTPA Title IV-C), directed to meeting the needs of Vietnam-era, recently separated, and service-connected disabled veterans. We have been, and expect that we will continue to be successful in meeting those needs for two major reasons: the programs are planned at the State and local level; and, the grant process encourages the use of local matching funds. These factors should also contribute to achieving maximum results for our investment. Thus far, through this emphasis on matching funds, we have awarded about 190 grants and have almost doubled the amount available for special veterans' programs.

We have also had the opportunity to work in cooperation with the Veterans Administration on the Veterans' Job Training Act (VJTA) program. Under this emergency training program, approximately 52,000 long-term unemployed veterans have been placed in training positions. Although this program is scheduled to end in FY 1988 because of the significant decline in veterans' unemployment, we plan to use the "case manager" concept in other programs. Under this concept, which was implemented in FY 1986, the State Job Service agencies' Disabled Veterans' Outreach Program (DVOP) and Local Veterans' Employment Representative (LVER) staff took individual responsibility for ensuring the delivery of appropriate services to the program eligibles.

Additionally, we have seen improvement in the productivity of the State Job Service agencies for veterans, as measured by the degree of priority delivered to veterans. The most recent national data available (4th quarter FY 1986) showed that veterans comprised 14% of all Job Service applicants, and 12.3% of all individuals placed by the State Agencies.

In addition to the employment and training services administered by the agency, the VETS also provides services authorized by Chapter 43 of Title 38, U.S. Code, to protect the reemployment rights of veterans and reservists. Such rights include not only pay and senority protections while the individuals are on active duty, but also protection of pension rights. With such protection, our national defense is enhanced since individuals, particularly reservists, would otherwise be reluctant to risk their full-time civilian jobs in order to serve in the military. Through efficient utilization of agency staff and emphasis upon settling cases through mediation rather than litigation, the agency is reducing case processing time, responding to more inquiries, and achieving resolution of more cases than in the past.

Overall, it is accurate to say that the Department is providing better services, more cost effectively, to veterans now than in the past, and that veterans′ unemployment is declining significantly. We are presently jointly piloting with the Department of the Army, (DOA), a project at DOA separation centers, targeting active duty personnel who are about to separate. Successful transition from active duty to civilian employment not only serves the veteran′s needs, but also will reduce DOA unemployment insurance for ex-service members′ expenses. We expect to implement this concept nationwide in FY 1988.

Our budget request for Fiscal Year 1988 is $138.6 million. Included in this amount is $123.5 million for grants-to-States, of which $72.0 million is for DVOPs and $51.5 million is for LVERs. The funding is for 279 Federal positions and 3,395 States agency positions allocated through grants-to-States. The latter amount includes 2,056 DVOP positions and 1,339 LVER positions.

The agency′s request for DVOP and LVER funding is based upon the intention to maintain DVOP staff levels in accordance with the staffing formula set forth in Section 2003A of Title 38, U.S.C. DVOP staff provide direct services to veterans, as prescribed in the U.S.C., and one position is allocated for each 5,300 Vietnam-era and disabled veterans residing in each State. These specialists are mandated by law to provide employment and employability development services to the most disadvantaged veterans, e.g., the disabled and Vietnam-era veterans with severe barriers to employment.

LVER staffing will be reduced due to a demonstrated lack of need. Local Veterans′ Employment Representatives do not provide services directly to veterans to the degree that DVOP staff do, but instead are responsible for functional supervision of local offices′ services to veterans. Since State Agencies are exceeding the quantitative performance standards, there is not the need for as much supervision as is now provided. The agency will provide funding for approximately 200 fewer LVER staff years in FY 1988 than in FY 1987.

Emphasis will continue in FY 1988 on DVOP and LVER involvement in intensive job development and placement activity. In addition, these specialists will continue their efforts in coordination with service providers under the JTPA, community-based service organizations, and other supportive service Agencies to ensure the provision of comprehensive services to veterans.

For the JTPA IV-C program administered by the agency, the competitive grant application system for award of grants to the States and/or Service Delivery Areas will continue. The budget amount for Veterans′ Employment Programs under JTPA, Title IV, Part C, is $10.0 million for FY 1988. As you are aware, Mr. Chairman, this funding level is determined by a formula contained in the Job Training Partnership Act. As I stated earlier, we expect that we will continue to have an effective program due to the competitive structure and the preference given to those applicants that match or exceed the grant amount with local funds.

In closing, I would like to thank you for this opportunity to discuss the FY 1988 budget and how it affects veterans′ programs. I am confident that with the requested budget we can continue that progress toward secure employment for all veterans and reservists, who with their dependents comprise approximately half of our nation′s populace. I will be pleased to answer any questions you may have.

ADEQUACY OF TAA TRAINING FUNDS

Senator CHILES. We are delighted to have Senator Burdick with us this morning.

Senator, do you have an opening statement?

Senator BURDICK. No; I have some questions.

Senator CHILES. Do you want to proceed with your questions?

Senator BURDICK. I will take my questions in order. Thank you.

Senator CHILES. Mr. Secretary, then to ask you a couple of questions before we proceed, a number of the Members have raised the issue of the need for additional training and adjustment assistance funding. The Department has certified workers that are eligible for training but there are not enough funds left over to follow through.

I know there are immediate, pressing needs, for example in West Virginia and New York, Pennsylvania, and Louisiana. What can we do to help these immediate needs of dislocated workers, especially since you are committed to a new billion dollar program down the road?

Are there any discretionary funds that can be tapped to resolve a few of these immediate problems?

Secretary BROCK. Not in that precise program, Mr. Chairman. One of the difficulties is that we have been hit pretty hard with a lot of applications and when that happens you simply have to utilize resources as equitably as you can.

But, there is actually no reason those individuals cannot use title III of the JTPA Dislocated Worker Program, without having to go through the whole TAA exercise. Training is available. Support is available.

One of our frustrations with TAA is, it is not a training program. It is just simply not logical or honest to call it one. Less than $26 million goes into training in that program. All the rest is income maintenance and that is not what we are about.

It is our job to deal with the training process, and we are suggesting that we have some funds that can be used under title III, and we would be prepared to do whatever is necessary within those limits.

Senator CHILES. Are there any other funds you might be able to tap outside of the trade area, any of the discretionary funds?

Secretary BROCK. Mr. Chairman, I have expressed to you before my frustration with the absence of discretionary funds in the Secretary's hands, and this is one of the examples of why it is frustrating. When we ask for the $980 million, we are going to ask for 20 percent of that being allocated to a discretionary account because there are circumstances which we have to respond to.

There are large layoffs, large closings. Sometimes we are the only ones who can go in and help. But I do not have any such discretion at the moment. The funds I have are almost allocated.

EMPLOYMENT SERVICE NEGATIVE SUPPLEMENTAL

Senator CHILES. One of the offsets that you proposed and you talked about to fund the new program is the $90 million rescission in employment services, the reduced level continued in 1988. Last year unemployment insurance services were cut by $144 million, and formula changes cut many States in prior years starting in 1983.

These reductions have an impact. Twelve States plan to close 106 full-service offices. Fifteen of those are in Florida. Five hundred and forty-four positions are vacant nationwide and will not be filled. In South Carolina many offices close their doors at 10:30 or 11 o'clock because they have all the people they can process at that time.

Are you sure you all have properly assessed the impact of these cuts in services to the unemployed? What role do you expect the existing employment security offices to play in your new million dollar program?

Secretary BROCK. Mr. Chairman, we are watching it pretty carefully but there is about 90 million dollars' worth of unexpended balances in the Employment Service working its way through this system and we do have a lot of State efficiency initiatives in both unemployment insurance and employment services that have reduced costs. Further, the States by and large have had reduced unemployment problems, so the burden has been reduced.

When we put into place the new Worker Adjustment Program, obviously there will be some benefit to the employment services. But let me drop back from your question and my response and look more broadly at the Employment Service.

Mr. Chairman, some of them are doing a pretty decent job and some are not as focused on the problem as they should be. And one of the reasons we are suggesting that it be put more into the hands of the States is because we think that the approach will be more precisely targeted on what that particular State needs within its own individual circumstances and context.

I find it difficult to argue with the Congress, which last year without our request cut these funds. We thought you were right then. We frankly think you are right now. We think there is enough money to meet the need within the current framework.

We will watch it. If we are wrong we will be happy to discuss it further with you.

Senator CHILES. I guess our concern is the unemployment offices. Here you say there is $90 million sort of in unused funds, but when I see that relate in my State to the closing of 15 employment offices, that does not sound like unused funds.

Secretary BROCK. What we are asking, when we suggest a negative supplemental of $90 million, is also for the authority to reallocate from areas which have an excess to areas that do not. If, in fact, your State would be in the latter category, we could respond to that.

Senator CHILES. Senator Weicker.

REDUCTIONS IN EDUCATION PROGRAMS

Senator WEICKER. Thank you very much, Mr. Chairman.

Mr. Secretary, I was pleased to hear your testimony last month before the Labor and Human Resources Committee in which you outlined the changing nature of the work force between now and the year 2000. Among other trends, you indicated that new jobs in the economy will strongly favor the most educated sector of the labor force.

You warn that the level of literacy required will continue to rise above mere reading and writing ability, and that low levels of literacy among youth and adults is now nearing epidemic proportions. It is frustrating, at a time when you are rightfully sounding the alarm about our education needs, your counterpart, the Department of Education, is advocating a budget to reduce its program in dollars by $5.5 billion or 28 percent, which includes the outright elimination of $880 million of vocational education programs, 46 percent reduction in higher education student assistance, elimination of all Federal library assistance including the literacy initiative, and sizable cuts in education for the handicapped.

Doesn't this sort of a budget cancel out your efforts to upgrade education and job preparedness within the Labor Department's programs?

Secretary BROCK. You have such a wonderfully skillful way of asking questions.

Senator WEICKER. But these are dollars that address the same problem.

Secretary BROCK. I have not had the opportunity to evaluate the Department of Education's budget and to put those facts within any larger context so I really don't think it is fair for me to comment except to say that I greatly value vocational education. We use vocational education people and schools. That's the largest single deliverer of JTPA programs, so we use them and we value them.

At one and the same time, I think it is important to note that not all of them are doing what they ought to be doing. A lot of them are training kids for 1960's jobs, and I do not think it makes much sense to fund something that is focused on the sixties instead of the nineties.

I do not know how to comment on the overall context other than saying, we in this country have got to look at the educational system in a different way than we have in the last 25 years. It is a matter of national shame that we went 20 years with reading, math, verbal communications skills declining each successive year below the previous year and nobody got kicked in the shins hard, or even hung by the thumbs, and both should have been done in some instances.

We are all to blame. We, parents, public servants, all of us have let this educational system get too far behind. In preschool, grammar school, and high school education we have been inadequate, and we have simply got to do a better job.

The overwhelming bulk of new jobs are going to require postsecondary education and it is an inexcusable circumstance that almost 30 percent of our kids are not even finishing high school in the face of the creation of new jobs which are going to require cognitive skills, reasoning skills, mathematics skills, and communications skills. And we are not doing an adequate job.

Senator WEICKER. Well, I have raised the issue and obviously it will be raised again with your counterpart, but I do not think that achieving the type of either progress or excellence which you are looking for involves the massive cutbacks of dollars that have been indicated in the respective budgets.

I agree with both your remarks at the last hearing, the one I referred to earlier, and what you are saying here. A difficulty I have, Mr. Secretary, is somehow to reconcile the rhetoric of the administration as to education and the dollars that they present in the budget, and that is a problem.

It is even a problem to some extent with your budget, but I repeat, nobody will deny the idea that you laid before the committee. It is the dollars I have issue with.

EMPLOYMENT AND TRAINING OF THE DISABLED

Let me just have two brief questions. At last year's hearing we discussed the fact that, in your own words, we have a long way to go in improving national programs to meet the training and employment needs of disabled Americans.

I spoke on behalf of the subcommittee in urging the Department to see if there was not more the Department of Labor could do to improve existing programs, devise some new initiatives to address the problems of two-thirds of disabled Americans being out of work.

I might add, incidentally, and I heard this on the news the other day and it is in my notes here, a soon to be released Lou Harris poll has completed surveying nearly 1,000 employers of disabled people. Preliminary findings include, one, the majority of employers rate their disabled employees highly on their overall job performance; and two, nearly all disabled employees do their job as well or better than other employees in similar jobs.

Will you please tell us what progress the Department has made in the last year, addressing the employment problems of the handicapped, and what new activities you plan to initiate as reflected in the budget you are presenting to us today.

Mr. SEMERAD. Senator, I think that we were very mindful of our conversation last year. We have been addressing the capacities versus costs of our existing institutions that do an outstanding job.

As you are well aware, we have a number of organizations that focus on the various kinds of disabilities and we have been meeting with them regularly. We have also been looking at other kinds of organizations that might have the capacity to deal on a larger scale with these problems.

I think you are absolutely right, because the Harris poll certainly struck all of us pretty hard. We have been trying to remove those barriers in public policy, that hinder these two-thirds of the people surveyed, who said they wanted to work, from finding jobs. I guess your question is the same as mine: how come they're not working.

We have been working with HHS. I believe there have been some conversations with your staff, whether there are changes we ought to impose that are bureaucratic in terms of eliminating barriers hindering disabled persons from finding work. It seems that it's taking a long time to accomplish this. So, we have been looking at all of this and clearly one of the things that our work force 2000 study shows, which is supported by the recent newspaper articles, is that employers are going to have to look differently at a number of segments of our population, and it also appears that the handicapped will clearly benefit from the new kind of technological economy we are moving to.

You do not have to run fast or leap tall buildings in order to participate in a very meaningful way in the economy of the future. We are in transition. We have to make sure, however, that as part of our overall policy all barriers to hiring the handicapped are removed.

Given the existing system, there are limitations in the training system for disabled people. That probably represents less of a focus generally and historically than we should have given the handicapped.

Senator WEICKER. The difficulty that I have, and I think we all do, is that you guys have the muscle. You are supposed to be knocking down the barriers for the disabled. It is not as if we were talking about a population that cannot do the job. Everybody knows they can do the job.

Those that have been their employers say they do as good, if not better. I do not understand what has changed since you fellows last were before me. That is my problem.

Secretary BROCK. Well, I am not sure what we can change, other than the emphasis. We have got about 10 percent of all the JTPA trainees who are handicapped. This is significantly higher than the percentage in the population. So, they are getting special emphasis there. That emphasis occurred in 1985 and again in 1986. We do have any number of ongoing efforts, programs like OFCCP to deal with the handicapped, affirmative opportunities that I pray we are dealing with effectively, and I assume putting as much effort into that as we are anything else.

Senator WEICKER.What I would like to have, and I only have one more question, but on this point here I would like to see some sort of a program discussed with my staff so we know exactly where we are going on this aspect of the problem.

Secretary BROCK. OK. And if I may, I would ask you all to at least get to me any precise suggestions you have on that. We would be happy to discuss this matter with you.

FIELD SANITATION STANDARD

Senator WEICKER. I know you would be, and I have no problem along that line at all.

My last question—I have other questions to submit for the record, but my last question, and I am sort of doing this in lieu of the former ranking Member, Senator Proxmire, because he raised the issue 2 years ago, U.S. Court of Appeals for the District of Columbia has given you 30 days from February 10 to issue a new occupational safety and health field sanitation standard in order to give agricultural workers access to drinking water and sanitation facilities.

Senator Proxmire raised this issue, as I say, 2 years ago in the 1986 appropriations bills. My question is now, have you completed your review of this matter, rendered a decision as to whether you plan to comply with the ruling, or will the Department seek to repeal the ruling.

Secretary BROCK. Well, we have not completed our review, nor have we made a decision as to whether to appeal the ruling, but that really does not have anything to do with what we are going to do. I made a commitment to you some time ago that there would be sanitary facilities for migrant workers in the United States. There will be.

We gave the States 18 months. That time runs out within the next few weeks. And if the States have not acted affirmatively, then we will.

Senator WEICKER. Thank you, Mr. Chairman.

Senator CHILES. Senator Burdick.

Senator BURDICK. Thank you, Mr. Chairman.

Welcome to the committee, Mr. Secretary.

Secretary BROCK. Thank you, sir.

EMPLOYMENT SERVICE NEGATIVE SUPPLEMENTAL

Senator BURDICK. I have just come from a meeting in my office with the director of the North Dakota Job Service who tells me that the $90 million negative supplemental you have proposed could result in a cut of over 15 percent of the job service staff.

I believe you said the negative supplemental would not have an impact. Would you elaborate on that answer?

Secretary BROCK. I would assume that in the overwhelming majority of States that had not spent their funds has a similar pattern, that the case load was reduced. Therefore, there is not the need for the staff that were being financed.

Second, what we said was, when we asked for the reduction of $90 million, Senator, we also asked for the ability to reallocate funds from surplus areas to those areas in deficit. There are some areas where there is still a problem and there are other States which have excess funds.

We have asked for the authority to shift those excess funds to any area that might have a particular problem. I don't know about your own State, but we would be very sure that that was accommodated, if there was a problem.

Senator BURDICK. Well, that was what you meant in your original statement where you said this is not expected to result in any significant change in the administration of services; that's because you think you can get money from other sources?

Secretary BROCK. That's correct. We have it in the Employment Service in areas where they simply don't need it.

UNEMPLOYMENT INSURANCE DEVOLUTION

Senator BURDICK. My major concern is one that has come up at the committee before. The devolvement of the unemployment insurance fund, as I understand it, would decentralize the system so the States would have control over the funds they collect.

In my home State of North Dakota we are having very tough times. I do not have to tell you about the status of the agricultural economy and the severe effect it has had on the State's unemployment.

I am very concerned that your proposal to devolve the unemployment tax receipts will leave North Dakota without enough funds to cover an increasing drain on its scarce resources. How do you propose to ensure that States such as North Dakota will be able to meet their obligations under such a scheme?

Secretary BROCK. First of all, let me look at the unemployment insurance system generally with you, Senator, and suggest what we are trying to do. Unemployment insurance has been a fundamentally valuable part of our protective net to be sure that people who are out of work through no fault of their own still have some sustenance and ability to maintain a family circumstance.

We are not suggesting, as far as I can tell, anything that could change that but we are saying that by having a national approach to unemployment insurance as opposed to an approach that deals with the individual's problems within the context of a specific State, that we have unnecessarily limited the flexibility of the program to respond to the State's needs, to the needs of individual unemployed people in that State.

I would like the Governors, when they come to us with a proposal for worker adjustment, to incorporate in that proposal what they want to do with the unemployment insurance system to be sure that it complements what they are doing with worker adjustment or training.

When we give you, as we propose to do, a request for $980 million for the States, that is a lot more money to get people back to work and it is our hope and belief that that will reduce the need for unemployment insurance benefits to be paid and also relieve the burden on the individual States.

But the combination of all four of these, and you really cannot treat them separately, the devolution of unemployment insurance, the devolution of the Employment Service, the new flexibility we would crank into the Summer Youth Program to allow them to use that money for training, if they wish, for AFDC youth, and the $980 million for worker adjustment, all as a package, should significantly improve the capability of the State to respond to those situations.

Now, if there is some peculiar circumstance that we are not dealing with effectively in your own State, tell us about it. We will try to work with you to resolve it and make sure that there is no diminishment of your capacity to provide those services.

We are not trying to do anything other than enhance the service delivery.

Senator BURDICK. I am certainly glad to hear that, Mr. Secretary. My second question concerns the unfunded liability of five States whose job service retirees used to be paid their pension from State funds.

A few years ago the Federal Government assumed the burden. May I assume that your commitment to these retirees has not changed?

Secretary Brock. As far as I know we have made no change in that at all.

AFDC YOUTH PROGRAM

Senator Burdick. Mr. Secretary, regarding the Summer Youth Program, title II–B of the Job Training Partnership Act, you have proposed to level fund the budget by targeting the funds to States with a higher population of AFDC youth.

How would this affect the allocation to rural States?

Secretary Brock. It depends entirely on the percentage of AFDC families and disadvantaged youth in a State. What we are trying to do is to be very sure that we are reaching the maximum number of disadvantaged kids in the AFDC group with special training to get them out of that circumstance so that they have a chance.

In all candor, most of the rural States have a lower burden than some of the more urbanized States, and if that is true then the primary targeting of funds would go to where the targeted population is.

Senator Burdick. How do you propose to have a floor below which States would not fall so that every State would be assured of a percentage of the summer youth funds?

Secretary Brock. I do not think we said percentage, but if we did we probably misspoke ourselves. We have added $50 million, and will better target all the funds to areas where we have particular problems, a higher concentration of AFDC youth.

Senator Burdick. Is this $50 million you can move around to make everything fair?

Secretary Brock. No; but it is $50 million that under the new formulation would hopefully be enough to be sure that no State was unable to serve its target groups.

Senator Burdick. I hope you do not forget us farmers out there. We are having tough times as it is.

Secretary Brock. Senator——

Senator Burdick. Take care of those youngsters, will you?

Secretary Brock. Let me tell you, I would not target the farmers, coming out of Tennessee, No. 1. No. 2, we have changed our policy so that under our program farmers can receive the same kind of training as anybody else. Why not? They should have been able to forever, but by golly, they are going to now.

Senator Burdick. Well, I hope you are right. Thank you very much.

Senator Chiles. We are delighted to have the former chairman of this committee who served so well and has been a ranking Member and everything else on the committee for many, many years, Senator Hatfield.

Senator Hatfield. Thank you, Mr. Chairman. It is a great pleasure to be able to address you as Mr. Chairman, in this relationship.

Secretary Brock. He likes it too.

Senator Hatfield. Mr. Secretary, on a day which seems to bring a tremendous focus on the competence and openness of certain public employees, it is indeed a special pleasure to welcome you, who represents to many of us the embodiment of competence and openness and integrity. So, I want to give you a special welcome on this particular day.

JOB CORPS CENTER CLOSINGS

I would like to ask you just one series of questions, and that relates to the understanding that I have that you expect to close about four to eight Job Corps centers in 1988. I wonder if you have made a decision as to which ones will be closed, or to the criteria that you are using in making that decision and/or the expectation of costs attendant to the closing policy and what is going to happen to those young people in those centers that will be closed.

Secretary BROCK. It is a fair question. I think I can give you a pretty straight answer.

We have made no decisions about closures. I will admit a remarkably high degree of frustration with my inability to convince the Congress last year that we needed some changes in that program.

Senator, 1 year ago when I came to the Congress with a suggestion that we close at least four, we had some lousy centers. We had some people running those centers that were not doing their job and it's frustrating because those kids deserve better from us.

These are decent kids with terrible disadvantages. They are the most difficult to support of any in our system. That is why we have the Job Corps. It is a good program and it reaches a very, very small but very important group of people with particular problems.

When you have got a number of centers that just simply do not meet any rational standard of competence and productivity, you have got to think, well, we can do a better job and reallocate those slots, either to other centers or reopen the centers in some other capacity.

I was denied the right to close, and then I was denied the right to even hire new management or contract out management, and that is frustrating. So, what we are doing now, we have published the criteria by which we evaluate centers. They know how they are going to be measured.

The interesting thing is that of the low eight that were on our list last time, at least six are marvelously better. They got fair warning and they have gotten their act together. There are a couple that have got a way to go yet.

So, I am not going to make any judgments about closing if they are really trying to improve and making progress and showing progress, more power to them. But fair warning—I am going to go in there with a 105 Howitzer if I cannot get a couple of them to change their spots and do a better job.

There is no excuse in not giving these kids the opportunity that we are trying to provide for them and we are not cutting any slots, by the way.

Senator HATFIELD. You are what?

Secretary BROCK. We are not cutting any slots. If we have to close a center there is no reason we cannot open one across the street, or in the same building for that matter, or move the slots somewhere else. We will protect the kids. That I will assure you.

To the extent it is in our power to do so, we will protect the kids but I am not going to put up with management that does not do a job.

Senator HATFIELD. Mr. Secretary, you will not find a person on this committee, I am sure, that would disagree with your statement in terms of demanding competence and demanding leadership in these very important centers.

I want to commend you for not throwing the baby out with the bathwater, because I think oftentimes in various programs in Government, if they have not functioned well or if there has been abuse or there has been incompetence, the general reaction, knee-jerk reaction is to excise them rather than to give them notice and give them a reasonable period of time to get their act together and to get themselves up to the competence level that they would be expected to have.

Secretary BROCK. And to tell them how we are going to evaluate them, because they need to know what the standards are, and we have done that.

Senator HATFIELD. I think that evaluation should be a continuing process. It should not be every 3 or 4 years. Again, I think we get into some of these difficulties because we do not make the evaluation a continuous requirement.

Secretary BROCK. We had an ongoing problem. In all honesty, I think Congress served us well and itself well by drawing focus to it last year. I think we have got a better program for it.

So, I am pleased and I thank you for that.

Senator HATFIELD. So, if I understand you then, the figure of eight that floated around, the possibility of being closed, were eight that were really put in a sense on notice?

Secretary BROCK. That is right.

Senator HATFIELD. That we are not going to subsidize incompetence; neither are we going to subsidize unsatisfactory performance. Will there be, in this kind of signal, some time given and an opportunity to raise the competency and to get off of the list, is that right?

Secretary BROCK. That is right.

Senator HATFIELD. Thank you.

Secretary BROCK. Thank you.

IMMIGRATION ACT RESPONSIBILITIES

Senator CHILES. Mr. Secretary, the new Immigration Act imposes large new obligations on the U.S. Department of Labor, including intensified enforcement of wage and hour laws against employers of illegal aliens, and administration of the expanded Foreign Worker Program.

That Foreign Worker Program permits employers to petition the Department to bring in foreign workers after meeting a number of conditions to protect domestic workers. I notice that you have not requested any new funds to administer these new programs.

Is the Department prepared to implement its new responsibility under the Immigration Act?

Secretary BROCK. Yes, Mr. Chairman, but I came before you today with a modest amount of trepidation, knowing the demands that will be imposed upon us but also insecure in our evaluation of what those demands will entail. So, what we are doing is a very careful evaluation of our responsibilities.

We are meeting with the INS, other responsible agencies, Agriculture, to allocate the various functions. We have precise functions allocated to us under the law and we are evaluating them as well.

When we complete this we will tell you what we think the effect will be and whether or not resources will be required. But until that time, I was reluctant to take a guess because I am really not sure where we will be.

NEW JOBS BEING CREATED

Senator CHILES. Fine. The Joint Economic Committee recently reported a majority of the new jobs created by our economy in recent years are low paying, less than $7,000 a year. That study has been challenged by some economists as exaggerating the trend toward low-skill, low-pay creation.

Apparently, while a proportion of the employment at higher paying occupations has increased, the earnings distribution within those occupational classes has shifted downward, in other words, the percentage of low-paying jobs within each occupational class appears to have increased.

What analysis has the Bureau of Labor Statistics made in wage and skill levels of new jobs being created in the United States, and doesn't the growth of the service sector employment and decline of the industrial sector portend a shift toward those lower paying jobs?

What data do you have on the extent to which the service sector—well, another question is on employment and health pension payments but I will save that and let you answer the first one.

Secretary BROCK. We have got lots of information, Mr. Chairman, and frankly a fairly high level of confidence that we are right. I served on the Joint Economic Committee. I loved it. I valued it. I have an awesome regard for its staff and its members, but when they make a mistake they are wrong, and they are wrong.

They are wrong because they chose the wrong base year, for one thing, for their studies and you can do anything with statistics. I will not apply the normal appellation for statistics or statisticians, but the fact is that you can prove almost anything you want to.

Let me suggest to you two or three things that contradict what has been implied in this and other conversations. One, there is no study in the last 10 years that did not demonstrate that the new jobs being created and in prospect of being created in the United States, the majority of new jobs are going to require postsecondary education.

They are going to be in a lot of new areas, sure. But they are not all slinging hash. The declining job group in the United States is generally the low skill job group. There are not, to my knowledge, many exceptions to that rule.

The increasing job group, without any exception to my knowledge, is the job group that requires a high level of cognitive reasoning, communication and mathematical skills.

LOST JOBS

Senator CHILES. Except as we are losing the manufacturing base, it is pretty clear that we have lost a tremendous number of jobs in manufacturing, and those tended to be higher paid jobs. I agree with what you are saying, in the way that we are automating and as we automate we are knocking out jobs and we are requiring people with higher skills. However, it appears that in the offshore manufacturing we are losing high-priced jobs.

Secretary BROCK. Let me reassure you there. A publicized report on people who had high-wage jobs and who have gone back to work said over 20 percent of those who were reemployed were reemployed with wages at least 20 percent below their previous wage. You probably saw that.

In other words, at least 1 out of 5 went back to work at a much lower wage, 20 percent lower. What the published report did not say, but was in the study, was that nearly one-third of them went back to work at jobs that paid 20 percent more than they had been making.

That simply has not been discussed very largely in this country. Let me say something else to you, Senator. We should have had this conversation in 1910 and 1920 and 1930 when one-third of the American people were on the farm and one-half the farm population was terrified at the advent of combines and diesel and gasoline engines and all these modern tools that made it so efficient that you could not keep help on the farm, you know, the kids were all going to the city.

The statement was being made then, my gosh, they will not have any jobs, therefore, they cannot buy our food. What are we going to do? Everybody is going to lose. Everybody is leaving the farms and going to the cities. There are not any jobs for them in the cities.

That did not happen. We got more food, better food, cheaper food, and more productive farmers than had ever been in the history of the country. We stopped feeding the United States; we started feeding the world with 3 percent of the farmers instead of 33 percent.

The same thing is happening on the assembly line, Senator. We are down to about 15 percent of the American people on assembly lines. By the turn of the century it will probably be between 3 and 5 percent.

Senator CHILES. Why?

Secretary BROCK. Because we are putting in robotics, numerically controlled machines, and all the rest. It does not mean that we will be producing less goods. We are going to be producing a lot more. They will just be different jobs, different skill requirements.

That is why the educational system of this country has to be addressed fast. The training system has to be addressed fast. But the jobs in America are going to be better, safer, cleaner, happier, more productive, and they are going to require a higher level of skills. It just is not factually true that we are deindustrializing the United States.

We can, we can do it real quick by failing to address our skill base, but if we keep our human skills up, we are still going to be producing more than any other country in the world in the year 2000 and beyond. You do not have to worry about the industrial base of America. If we keep our human capital component strong, we are going to deal with our deficit.

Now, you keep loading the system with that kind of hazard and then you have a different problem.

Senator CHILES. Mr. Secretary, now you said you had a problem that might require you to be leaving. We have a number of questions that we can ask for the record. Senator Byrd and Senator Bumpers have questions for the record, and I will certainly keep the record open for 1 week to see if other Members have further questions. We now have the attendance of Senator Domenici and I do not know if he has questions he would like to ask.

Senator DOMENICI. I have probably just one that he can answer for the record. If you would just permit me to state it, Mr. Chairman, I would appreciate your giving me the opportunity.

Mr. Secretary, I am sorry I could not get here earlier. It just happens that several subcommittees are meeting today. We have one down the hall on the Army Corps of Engineers.

Secretary BROCK. That is always the way it is.

Senator DOMENICI. Well, it is worse now.

Secretary BROCK. It gets worse every year. I do not know when you guys are going to straighten it out. You are going to kill each other if you do not do something.

Senator DOMENICI. I want to make sure the chairman did not misunderstand that. It is not worse in the last 5 or 6 weeks. [Laughter.]

BIENNIAL BUDGET

It has just been getting progressively worse.

Let me talk with you for a minute. There is lots of talk around here about addressing the issues of budget reform and appropriations reform. Some people want to do away with the budget. That means Senator Chiles and I are put out of business.

Others want to do away with the appropriators. That means maybe we are not out of business. Senator Bellmon suggested when he left the Senate that maybe we were overdoing this process of appropriating every year and budgeting every year. As he left the Senate he said, why don't you take 2 years and do all your fiscal business one year and your legislative and oversight business another year.

I know that is a little simplistic. We have got extraordinary circumstances under which to work. If you are not prepared to answer these questions now, I will leave them with you, and I would greatly appreciate your answering them for the record.

Would your Department favor a biennial budget? I am now referring to appropriations. What benefits would your agency achieve in a 2-year appropriations cycle.

Second, approximately what portion of your annual apropriations request would you consider simply repetitious; that is, repetitious of the previous year's submission, and what difficulties can you foresee in preparing and submitting a 2-year budget. If you oppose this concept, would you give us the reasons why.

Now, Mr. Chairman, I would be most pleased if you would respond, and since it takes a little while to submit an answer, with your permission, Senator Chiles, could the Department of Labor have sufficient time.

Senator CHILES. Well, we said 1 week. If they need longer for that kind of question we will give them longer.

Secretary BROCK. I could do that in about 5 minutes.

Senator DOMENICI. You are against it all?

Secretary BROCK. No, sir; I think it is fantastic. Let me just start off by saying—you know, Pete, you remember that I spent—excuse me, Senator.

Senator DOMENICI. That is all right, Bill.

Secretary BROCK. Fair enough. I spent a lot of time in this body, working on the Budget Act. I cared about it then and I care about it now, and I believe that Congress needs to have some systematic prioritization mechanism by which we establish the rank order of actions of the Federal Government and by which you arrive at a bottom line.

I still believe in that. I still think the system is necessary and imperative. There are obviously improvements that can be made in it, but this is one that would make your life and mine a lot better.

I do not know how Congress has the time to engage in an effective oversight process. I really do not. You do have 388, 400 and something committees and subcommittees. You cannot get to all of them all of the time.

If you had at least another year to think about the fundamental goals of what we are about, you could give us better advice, better management, and better leadership. We could give you better response.

If I could submit a 2-year budget—you asked me what percent of my budget is repetitive. Presently, it is almost all repetitive because I have not got time to do creative things.

Now, I think we have a very creative budget this year, but it took me 1½ years of getting the Department in shape, getting our people in, getting our management system in, and getting our milestones done so that people knew what we were trying to achieve. Now we are beginning to get to the point where we can be creative and come to you with some programs that I think are different, fundamentally different and work.

But honestly, if I had the ability to manage on a 2-year cycle, I think I could serve you better and I think my Department could. I think the people we serve would be able to manage their programs better because they would be more predictable and logical. The programs would have a flow to them.

It is very difficult to operate programs of this magnitude on a year-to-year basis, and I do not believe I am any different from any other Department in Government. I really do not. I think it would make life easier for everybody.

I will conclude my point—not my point but my statement by saying, I am glad you came. I am glad you came for the reason of the question, and the other is that I think the two people up at the podium are two of the people I respect most in Congress that have given this issue a lot of thought. And I am pleased to be with you.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. We are glad you came, and we thank you for your appearance and we will have some questions submitted to the record.

I would like to speak to the Deputy Inspector General a minute after you leave, sir. Thank you.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

ADDITIONAL COMMITTEE QUESTIONS

SCHOOL DROPOUTS

Question. According to the National Dropout Prevention Center, more than 700,000 public school students drop out of school every year. By the year 2000, dropouts are expected to number 2 million annually, a staggering 40 percent of those entering high school.

What do you see as the role of government, and more specifically, the Labor Department, in combating the problem?

Answer. It is in this Country's tradition that the primary responsibility for education lies with the family, state and local governments, and private institutions. Federal programs should provide mainly supplementary aid for the educationally and economically disadvantaged. The training and employment programs overseen by the Labor Department try to provide a second chance for that group to gain the skills and motivation they did not achieve in the traditional education system. The Department of Labor's primary vehicle for this is the Job Training Partnership Act program. Fully 27 percent of the JTPA, Title II-A participants are high school dropouts. By providing these participants with classroom training, job search assistance and on-the-job training we hope to emphasize the primary importance of continuing efforts towards acquiring either a GED or other skill enhancing degree. JTPA also finances summer jobs for economically disadvantaged youth and provides intensive remedial and vocational training through the Job Corps. Three of four Job Corps participants are high school dropouts. The Department also finances many demonstrations that test innovative ways to help youth into jobs. Many of these demonstrations are carried out in cooperation with other federal agencies.

Question. Is it realistic to expect that high school dropouts can be trained for the increasingly technical and highly skilled world of work?

Answer. Yes, it is realistic for the motivated individual. High school dropouts will have no choice but to train for these new, more demanding jobs, if they are to exist at a more than subsistence level. It will require a profound commitment on the part of the individual and society to accomplish this task, but the price of not doing so is equally high. We have ample evidence from JTPA that dropouts can be trained and can find jobs in the 1985 program year (ending July 30, 1986). One-half of the youth who had dropped out of school before enrolling in JTPA found jobs when they finished their JTPA training. The results from the Job Corps are equally impressive for the high school dropout group.

ENFORCEMENT ACTIVITIES

Question. Do you have sufficient numbers of inspectors and investigators to carry out your enforcement responsibilities?

Answer. Yes. Obviously, we do not make investigations or inspections of every workplace that is covered by one of the statutes we administer. What we do is to develop a system under each program through which we can both handle complaints received and target enforcement actions on those places and situations that are most likely to have a problem.

We are constantly working to improve our systems of targetting so that we can maximize our effectiveness and minimize the number of inspectors and investigators needed.

Question. Do you have adequate programs for ensuring the quality of activities and enforcement staff?

Answer. We think so, but this is not an easy task. It involves recruiting good people, giving them good formal and on-the-job training, periodically retraining them, giving them incentives to produce and stay with the government, purchasing needed equipment and support facilities, having adequate legal support, providing means for the public to criticize us and make suggestions for improvement, and coordianting with the Inpector General's staff.

While improvements in this area are always possible, and we continue to look for them, I am convinced that we have a great many very fine and dedicated enforcement staff in each of our programs. I am also convinced that some of our training facilities are among the finest in the world, especially the MSHA and OSHA training institutes which are used not only to train our own staff, but are also used extensively by the states and the private sector.

IMMIGRATION REFORM AND CONTROL ACT

Question. What role does the Labor Department play in enforcing employer sanctions for hiring illegal aliens under the new immigration law?

Answer. The Immigration Reform and Control Act (IRCA) of 1986 amends the Immigration and Nationality Act (INA) to require all employers to hire/employ only those legally authorized to work, and to retain records of this certification process. Further, the IRCA mandates roles for both the Department of Justice's (DOJ) Immigration and Naturalization Service (INS) and the Department of Labor's (DOL) Employment Standards Administration (ESA) in enforcing compliance with these provisions.

ESA's role includes assisting the INS in their efforts to inform/educate employers and other interested groups of their responsibilities under the employer sanctions provisions of the IRCA and, more importantly, to investigate employer compliance with the recordkeeping requirements of the statute. ESA has this role because it has -- in both its Wage and Hour (WH) and Office of Federal Contract Compliance Programs (OFCCP) -- a large contingent of geographically dispersed and experienced investigative staff in regular contact with private and public sector employers and employee groups for the purpose of enforcing labor standards laws.

Under the IRCA, these WH and OFCCP staff must take on new, additional investigative responsibilities. In most cases, this would involve adding a review of employer sanctions recordkeeping compliance to regularly scheduled WH/OFCCP compliance actions -- a process involving coordinaton with INS on our investigative activity; requesting and obtaining (all or a sample of) employer's employment eligibility verification/certification records; reviewing these records to ensure that they exist, and are properly completed and maintained; "closing out" with the employer; and reporting to INS on our investigative activity and findings. ESA's role does not include investigating "behind" the records, making formal findings of violations, issuing citations, or imposing/collecting civil or criminal penalties under the IRCA. Such authority is reserved to the DOJ/INS (although, in the case of farm labor contractors, the ESA-administered Migrant and Seasonal Agricultural Worker Protection Act (MSPA), as amended by the IRCA, provides civil and criminal penalties which would be imposed by ESA/WH, based on employer sanctions violations found/cited by the INS).

NEW IMMIGRATION LAW

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Question. How much is in the budget for the Special Targeted Enforcement Program, compared to Fiscal 1987?

Answer. The FY 1988 budget provides 247 full-time equivalent staff years for the Special Targeted Enforcement Program (STEP) enforcement. This represents the same level of enforcement effort as in FY 1987.

Question. What will be required to administer the new H-2A program?

Answer. The Departmental Task Force is working to finalize its requirements for implementing the provisions of the Immigration Reform and Control Act of 1986, including the H-2A program. If it is determined that there are staffing and funding resource needs for FY 1987 and 1988, the Department will forward its request to the Office of Management and Budget.

SCHOOL DROPOUTS IN JTPA

Question. What is known about the effectiveness of programs for dropouts provided by local Service Delivery Areas?

Answer. In Program Year 1985, 27 percent of the Title II-A participants were school dropouts. The Department requested States to submit examples of exemplary youth dropout programs and issued a Training and Employment Information Notice in January 1987 to disseminate profiles of effective models for recruiting and serving youth dropouts. Contact persons at the local operating level are provided.

The effectiveness of various service delivery strategies to assist dropouts continues to be one of the subjects of the Department's search and demonstration efforts. The Department, in coordination with private foundations and other government agencies, has launched JOBSTART to evaluate such strategies as longer-term training and supportive services to overcome situational and motivational problems likely to affect enrollees' participation, as well as JTPA policies and practices that could hinder or facilitate services to this target group.

Question. What do you know about the effectiveness of dropout programs funded from the State Education Coordination set-aside?

Answer. Based on anecdotal evidence, we know that effective programs for dropouts are operating with these funds. One particularly effective program is VIA de Amistad (Pathway to Friendship) in Phoenix, Arizona that serves more than 100 pregnant teenagers each year, providing an integrated family support system for these young women. The services provided include child care, transportation, health services, family counseling, and assistance with parenting skills in addition to assessment, remedial education and GED preparation, vocational skills training, and job development and placement.

A survey conducted by the National Governor's Association found that 41 percent of those terminees who entered employment were between 14 and 21 years of age, and that 28 percent of the terminees from set-aside funded programs who entered employment were school dropouts.

JOBS FOR THE ELDERLY

Question. You are once again proposing to freeze funding for the Community Service Employment for Older Americans Programs at $326 million in Fiscal Year 1988, the same level as 4 years ago. How many more jobs will be created if Congress funded this program at the $368,000,000 authorized level?

Answer. At this higher funding level, the authorized position level would be 72,060, an increase of approximately 8,280 jobs.

Question. How is it that average annual enrollee costs have not changed in 5 years, despite rising operating expenses, such as workers compensation, insurance, telephone and office rent?

Answer. A study of the unit costs for this program has been prepared and will be submitted shortly to the committee. This report concludes that the $5,111 unit cost which has been used for budget planning and estimating since 1981 has not been affected by general price increases. An analysis of actual data submitted by sponsors, as well as the results of a survey conducted, argue against any increase in the unit cost. Actual cost per slot for the last program year is reported to be $4,800, some $311 (or 6 percent) below the budget estimate figure. Sponsors indicate that spending has been adjusted to accommodate increased costs of selected items without affecting program performance.

ADULT AND YOUTH ILLITERACY

Question. Mr. Secretary, you have spoken out frequently on the seriousness of illiteracy among disadvantaged adults as an obstacle to their economic independence. You have also stressed the need for job training programs to tackle the problem of illiteracy.

Has there been any real change in the kind of job training provided for adults and youth to strengthen remedial education?

Answer. Because JTPA programs are developed by States and local areas to meet their training and employment priorities, the Department does not control the type of training provided. However, the Department has taken steps to stress efforts to strengthen remedial education in JTPA programs. The Department is presently involved in a number of information gathering activities to enhance program operators' knowledge and program resources with "state of the art" information on remedial education methods and approaches. We are cooperating with the National Governors' Association Task Force on Adult Literacy. We are exploring with the Department of Defense the means necessary to transfer the educational technology for improving basic skills competency developed by the military to civil applications for JTPA training programs. In addition, the Department has undertaken an evaluation of computer-assisted literacy programs presently used by the Job Corps for possible application by local JTPA program operators.

By far the most extensive evaluation effort is the launching of the JOBSTART demonstration program at 12 JTPA service delivery area sites to more adequately test the effectiveness of intensive remediation and skills training, similiar to that available to Job Corps participants, in a non-residential setting and at a lower operating cost. This demonstration is supported by the Department of Labor, the National Commission for Employment Policy, and a consortium of foundations.

In addition, a three-year demonstration project was begun in five sites in 1985. This demonstration, the Summer Training and Education Program (STEP), which aims to help disadvantaged youth do better in school, graduate, and improve their chances in life by providing a combination of work, remedial education and life skills instruction. STEP combines part-time summer employment with remedial education and life skills classes. If proven effective, the STEP design can significantly expand the potential of the summer job program.

Question. What improvements have you seen in participants' literacy?

Answer. The Department's effort to emphasize literacy training was begun only recently, and no major assessment has been made of improvements in participants' literacy. However, a number of State initiated efforts appear promising. In Utah, however, the State and the Davis County Service Delivery Area arranged to link with the Clearfield Job Corps Center during their 1986 Summer Youth Employment Program to use their basic education curricula, facilities, and experienced teachers to provide a basic education component to summer youth program participants. This literacy component produced excellent results with significant gains in the reading and mathematics levels of summer program participants. This project will be repeated in their 1987 summer program. Information on these results is being prepared for dissemination throughout the JTPA system.

TIMING OF WORKER READJUSTMENT ASSISTANCE PROPOSAL

Question. The Administration's legislation presumes enactment in time to start the new worker readjustment assistance program on October 1, 1987. Why not put this new initiative on the same "Program Year" funding cycle as the rest of the Job Training Partnership Act programs -- from July 1, 1988 to June 30, 1989?

Answer. First, the proposed readjustment effort is a new program, not part of JTPA. Second, using a "Program Year" basis would mean it would not get underway until July of 1988 -- too long a delay in view of the need.

Question. Don't you think an additional 9 months might be necessary to gear up for the new program, and insure a smooth transition from existing programs?

Answer. The readjustment legislation, at section 1261, provides for close-out of the current JTPA Title III program and an orderly transition to the new program.

Question. Isn't it courting potential disaster to ask Congress to rescind existing programs when we don't know when and if Congress will authorize and fund replacement programs?

Answer. If Congress does not authorize the new programs, it can still appropriate funds for the existing programs under current legislation.

INCONSISTENT POLICY ON NEW LEGISLATION

Question. Your budget proposes to maintain the summer youth program until "AFDC Youth" replacement legislation is enacted. Why didn't you also propose keeping the existing dislocated worker assistance and Trade Adjustment Assistance programs in place until new legislation is enacted?

Answer. These two programs were not handled the same in the President's budget because of major differences in the nature of the proposals. The AFDC youth program would be authorized through amendment to an existing program for which funds were being requested while the Worker Readjustment Assistance Program was requested as freestanding legislation to replace the Title III JTPA and the Trade Adjustment Assistance programs.

Question. Why does the President's Budget only retain funding for unemployment benefits under the Trade Act, while deleting the funds for retraining?

Answer. Unemployment benefits were retained because they are entitlements under the Trade Act while retraining is not an entitlement. However, upon passage of the proposed new worker adjustment assistance legislation, the request for Trade Act benefits would be reduced to an amount necessary to pay benefits for those who were collecting benefits during the last week of Fiscal Year 1987.

CUT IN THE JOB TRAINING BLOCK GRANT

Question. You are proposing a $57 million rescission in Fiscal 1987 block grant appropriations under the Job Training Partnership Act, 40 percent of which is reserved for youth. Couldn't you encourage States to target these funds to the AFDC youth population for which you are proposing new legislation?

Answer. While we could encourage States and service delivery areas (SDA's) to use funds for AFDC youth otherwise targeted for the rescission, the Act directs that such decisions are clearly reserved for SDA's.

Question. How many AFDC youth are currently being served under the $1.8 billion job training block grant appropriation?

Answer. About 20 percent of the youth enrolled during Program Year 1985 were in AFDC families, or about 62,800 youth. In total, some 36 percent, or about 113,100 youth, were receiving (or were in families receiving) some form of cash or noncash public assistance at application.

Question. What can't you do under the block grant for AFDC youth that your new legislation would permit?

Answer. While allowable activities will not be significantly different, there will be greater flexibility for the use of funds for serving youth, expecially youth in welfare families, and for supportive services. Just as importantly, there will be requirements to assess all participants and where deficient, to provide basic skills and other employment competencies.

SUMMER YOUTH JOBS

Question. Your budget projects the Summer Youth Jobs program will decline to $400 million in calendar 1989, compared to $750 million appropriated for the summer of 1987. That would mean a decline in enrollees from 703,000 to 375,000. What evidence is there that local project sponsors would voluntarily cut summer youth jobs by this extent, when given the option to shift funding to a year-round AFDC youth program?

Answer. In preparing workload estimates for the new program, we assumed the proposed $800 million in Title II-B funding would be divided equally between a summer component and a year-round AFDC youth component. However, local service delivery areas (SDA's) ultimately will determine whether to operate both programs and how much to allocate to each. We expect that judgements will be made by local SDA's based on their particular local circumstances, especially the size of the AFDC population and the degree of concern with reducing welfare dependency. We expect to see many areas operating both programs.

Question. Do you plan to change the allocation formula to shift funding from rural to urban areas?

Answer. The allocation formula in the proposed AFDC Youth initiative would allocate funds under Title II-B using the following factors: 50 percent on the basis of each SDA's relative share of economically disadvantaged youth residing in qualifying SDA's; and, 50 percent on the basis of each SDA's relative share of families receiving AFDC residing in qualifying SDA's. This proposed formula is not designed to shift funding from rural to urban areas. Rather, it is an attempt to redirect resources to areas with the greatest concentrations of those intended to be served by the program. By eliminating the unemployment factors in the current formula, data which are dominated by the adult labor force and have little relationship to the youth population who are served by the summer program, it would target funds more effectively to the economically disadvantaged youth who are the eligible participants for Title II-B programs. By adding the AFDC factor, we are attempting to target those most in need within the category of economically disadvantaged youth. As a general trend, we would expect a shift in resources to urban areas.

IMPACT OF JTPA

Question. Since enactment of the Job Training Partnership Act in 1983, we have been told by the Labor Department how successful the program has been in placing people in jobs. However, a recent article in the Wall Street Journal highlights concerns that many of us in Congress have that job training programs are serving primarily those who need relatively little training to enter the job market at the expense of those who need long-term, more expensive training.

What is your response to criticisms that local job training projects are not serving the most severely disadvantaged?

Answer. We do not agree. As a general consideration, JTPA is serving greater portions of selected population groups than their incidence in the eligible population--for instance, minorities and youth. While certain indicators, such as the proportion of participants without a high school diploma are less than those eligible, many of those are graduates in name only and still have significant educational and employment deficiencies. In order to improve on a good track record to date, we will continue to encourage the JTPA system to serve those most in need. The AFDC youth program is one way to accomplish this.

Question. Are financial incentives needed to encourage project sponsors to enroll a greater share of the most severely disadvantaged?

Answer. Governors may adjust performance standards to reflect the characteristics of the participants, local economic conditions, and length of programs. Financial incentives already are available under the 6 percent set-aside for incentive grants for serving the hard-to-serve individuals under Section 202 of the JTPA. This amounts to over $100 million in each program year.

Question. What can you tell us about the kinds and intensity of job training courses, whether training is related to the jobs enrollees get, and whether the training is in fact having an impact on participants' ability to enter and advance in the job market?

Answer. In PY 1985, 34 percent of Title II-A terminees had classroom training as their principal program activity, 24 percent had on-the-job training, 19 percent job search assistance, 8 percent work experience, and 15 percent other categories of services. The overall median length-of-stay in the program was 14 weeks. The median stay for those receiving job search assistance as their principal activity was 4 weeks. For those receiving classroom training as the principal activity, the median stay was 18 weeks. Most common occupational skills taught in classroom training include clerical skills, word processing, computer skills, nurse's aide, food service, and auto mechanics.

In PY 1985, 62 percent of all participants (both adults and youth) entered employment at termination. In OJT, 76 percent of participants were employed at termination. In classroom training, 54 percent of participants were employed at termination. Looking only at adults in PY 1985, 70 percent of all participants entered employment at termination, including 79 percent of those receiving OJT and 59 percent of those receiving classroom training. Of all participants (both adults and youth) employed at termination, 65 percent had jobs which were related to their training. This proportion is higher for adult participants.

The Department has an evaluation program aimed at providing current information on the characteristics of JTPA enrollees, the services they receive, and the net impact of the program on subsequent employment and earnings. Long-term follow-up data on the employment, earnings, and welfare status of JTPA terminees will be available within a year. Reliable data on net program impacts will be available within a few years.

PLANS TO CLOSE JOB CORPS CENTERS

Question. Last year you ran into a buzz saw of congressional opposition over plans to close several Job Corps centers, which resulted in a bill language provision imposing a moratorium on such closings until December 31, 1987. What is different about your plans to close 4 to 8 Job Corps centers in 1988 to convince Congress to go along?

Answer. The plan we are proposing in connection with the 1988 budget request is designed to make the Job Corps more effective and economical while maintaining its enrollment capacity at the current level of 40,544 training slots. The key difference is that our plan does not entail any diminution of services to the target population. The 2,000 or so training slots at the closing centers will be redistributed to other, more efficient and effective centers.

AIDS TESTING IN THE JOB CORPS

Question. You are proposing AIDS tests for Job Corps enrollees. Please explain how this program would work and how much it will cost?

Answer. All new residential corpsmembers entering after March 1, 1987, will be tested as part of the Entrance Medical Examination. Corpsmembers present before March 1, 1987, nonresidential corpsmembers and staff, will be tested on their request.

Residential corpsmembers with positive tests will be transferred to a Job Corps nonresidential center if practicable; if not, they will be referred to JTPA nonresidential training after medical termination. In addition, referral for medical assistance and follow up care in the home community will be made.

The testing will cost about $230,000 until June 30, 1987; $630,000 has been allocated for July 1, 1987 to June 30, 1988.

Question. How will you avoid erroneous diagnosis and discrimination?

Answer. Most specimens will be analyzed in one laboratory, which has considerable experience with AIDS testing and exercises quality control of their procedures.

If the first specimen shows a positive ELISA test, the lab will confirm this by analyzing a split sample of their initial specimen.

If the first ELISA test is positive, the Job Corps center will take a second specimen. If the second specimen is ELISA positive, the lab will do a WESTERN BLOT test on a portion of the second specimen. Only those with 2 positive ELISA's and a WESTERN BLOT positive will be considered as definitely infected with the AIDS virus.

Discrimination will be avoided by sending all specimens to the lab unlabeled as to name, but with a uniform code. Reports of positive tests will likewise be reported to the center in code. All results will be kept confidential.

Question. Do you plan to assess the impact of AIDS testing to determine if it stigmatizes the Job Corps and hurts recruitment?

Answer. Yes--by obtaining information from Job Corps screeners, and Job Corps center community relations councils.

Question. Why should the Federal Government test only the poorest of the poor, when AIDS tests are not being recommended for recipients of other Federally funded programs?

Answer. The Job Corps is essentially a residential program with corpsmembers living on center 24 hours a day, 7 days a week, except for authorized pass and leave. As such, there is opportunity for close contact, particularly sexual activity and drug abuse, to the extent these cannot be monitored and prevented by staff. In addition, some enrollees have entered with a history of sexual experimentation and intravenous drug use.

TYPES OF SERVICES FOR DISLOCATED WORKERS

Question. What types of services and activities will be available under the Worker Readjustment Program that are not currently available under the Dislocated Worker Assistance Program?

Answer. The basic services and activities that will be available to participants under the Worker Readjustment Program are similar to those currently available under the Dislocated Worker Assistance Program. However, there are some significant differences. First, the Worker Readjustment Program requires States to establish a rapid response capability throughout the State so that all services will be made available sooner. Second, there is a major emphasis upon cooperative labor-management response to dislocation. This reflects what we have learned about the approach of the Canadian Industrial Adjustment Service. Third, we have made additional provision for participant benefits while enrolled in retrainng services. Finally, the Worker Readjustment Program encourages and provides incentives for early employer notification of prospective layoffs and plant closings.

Question. Will any of the funds be made available for benefit payments?

Answer. The Worker Readjustment Program does provide for the payment of benefits under certain circumstances. Subject to an overall 15 percent cost limitation, benefits may be paid, if needed, to facilitate participation in retraining services. Benefits may be either an amount not to exceed an individual's average weekly unemployment compensation if participating in retraining services no later than the end of the tenth week of the participant's initial unemployment compensation benefit period, or a needs-based payment, for the period of time required to complete training.

Question. How would you expect those not eligible for unemployment benefits to support themselves during training under your Worker Readjustment Assistance Program?

Answer. Individuals who are not eligible for unemployment benefits have several means of potential assistance while participating in retraining under the Worker Readjustment Program. First, they are eligible for receipt of needs-based benefit payments. Second, they may receive other support services such as transportation and child care. Finally, they may benefit from other forms of assistance typically available in communities, such as those available from the United Way or public assistance agencies.

CERTIFICATES FOR TRAINING

Question. Under the Administration's proposal, workers could receive certificates of continuing eligibility for training for up to a two-year period. How much would these cerificates be worth?

Answer. The "certificates of continuing eligibility" would not carry a specific value. Their "worth" is the ability of the holder to move immediately into a training activity for which funds are available as soon as that individual determines it is appropriate, without having to go through the administrative program of establishing eligibility. They would be redeemable for training activities consistent with the substate grantee's readjustment training plan and the individual participant's needs. Actual use of these certificates would depend upon the availability of funds under the Worker Readjustment Act.

Question. Would you limit the number of certificates issued?

Answer. Our expectation is that most participants in need of retraining will apply for training early in their period of unemployment. Certificates of continuing eligibility would be issued to a minority of participants in this part of the program. Since the certificates carry no monetary value and their use depends on the local availability of funds, we see no need to limit the number issued. As the new program is implemented, we will monitor the issuance and redemption of these certificates to determine whether a limit is needed.

Question. How would you avoid the problem that now exists under the Trade Adjustment Assistance Program, where workers have been certified eligible but training funds have been exhausted?

Answer. The amount available for retraining ($490 million) under the proposal represents, by any measure, more than a doubling of the amount provided for training under Trade Adjustment Assistance and JTPA Title III combined during Fiscal Year 1987. Even more than that could be available depending on State and local area choice. We expect that these funds will be sufficient to cover the retraining costs of all program participants. In the event that funds specifically allocated to retraining are insufficient, the proposal provides that funds from the National Reserve Program may be used to cover retraining costs.

STATE-BY-STATE ALLOCATIONS

Question. You are proposing that 30 percent of $980 million, or $294 million, be distributed by a basic allotment to each State. How would the State-by-State allocation formula compare to the existing dislocated worker assistance distribution?

Answer. The proposal provides for use of the existing JTPA Title III allotment formula for basic readjustment services. The Administration's bill provides that Governors reallocate resources at the substate level using data they find most appropriate. The data used may include such statistics as data on permanent layoffs and plant closings now under development by the Bureau of Labor Statistics, unemployment insurance statistics, long-term unemployment data, and unemployment concentrations among others.

Funding for retraining would be based initially on the same formula as used for basic readjustment services funds. However, unspent funds could be reallocated to States in need of additional funding. Allotments after the first year would take into account experience and the overall availability of funds.

Question. For purposes of continuity, why not keep the $200 million existing Dislocated Worker Assistance Program, and distribute any increased appropriations over this amount on the basis of the new formula?

Answer. The existing program has resulted in sizable amounts of unspent Title III funds in many States. Because of its flexibility in the funding of training activities, the new program will be able to better respond to actual need. Fund allocation will depend in large part on a State's eligible population, coupled with its ability to provide services to dislocated workers. This is an improvement over the current system in that it will minimize the amount of unspent funds, direct more resources to areas with the greatest need, and reward more efficient States, thereby improving services to dislocated workers.

Question. Provide for the record a State-by-State comparison of $294 million distributed by the existing and proposed new formulas.

Answer. As the attached table illustrates, the formula distribution of $294 million among the States would be the same under the proposed Worker Readjustment Assistance Program as it is under the existing Dislocated Worker Program.

Distribution of $294,000,000 By Formulas of the Existing Dislocated Worker Program and the Proposed Worker Readjustment Program

	EXISTING/ PROPOSED FORMULA ALLOCATIONS		EXISTING/ PROPOSED FORMULA ALLOCATIONS
Alabama	$6,436,066	New Mexico	$2,286,850
Alaska	973,162	New York	18,841,253
Arizona	2,893,619	North Carolina	4,107,995
Arkansas	2,984,947	North Dakota	607,469
California	28,876,511	Ohio	18,849,151
Colorado	3,261,403	Oklahoma	4,312,321
Connecticut	1,651,316	Oregon	4,723,763
Delaware	352,586	Pennsylvania	15,546,785
District of Columbia	882,819	Puerto Rico	8,674,013
Florida	8,126,427	Rhode Island	451,069
Georgia	4,830,651	South Carolina	3,556,391
Hawaii	683,740	South Dakota	385,789
Idaho	1,339,325	Tennessee	6,332,117
Illinois	20,217,159	Texas	21,464,952
Indiana	7,243,466	Utah	1,108,705
Iowa	4,159,977	Vermont	270,680
Kansas	1,740,076	Virginia	3,718,361
Kentucky	6,659,382	Washington	5,846,598
Louisiana	10,733,183	West Virginia	4,516,087
Maine	824,178	Wisconsin	6,175,895
Maryland	2,178,826	Wyoming	758,324
Massachusetts	2,618,462	American Samoa	39,774
Michigan	17,018,078	Guam	175,743
Minnesota	3,939,627	Marshall Islands	77,694
Mississippi	5,087,629	Micronesia	182,788
Missouri	4,964,488	Northern Marianas	19,972
Montana	1,131,181	Palau	19,972
Nebraska	1,269,663	Virgin Islands	263,418
Nevada	1,297,071		
New Hampshire	340,546		
New Jersey	5,970,507	TOTAL	294,000,000

SPECIAL PROGRAMS FOR DROPOUTS

Question. The Job Training Partnership Act authorizes the Secretary of Labor to conduct evaluation, research, demonstration and pilot projects. What significant advances in knowledge have come from dropout-related pilot programs and demonstrations in the past several years?

Answer. Pilot and demonstration (P&D) programs designed to address the training and employment needs of dropouts have involved a variety of efforts and approaches over the past several years. For the most part, these efforts have been undertaken through several "training demonstration projects" operated by union or industry related organizations, with the training being provided primarily via a combination of apprenticeship, OJT, and institutional classroom efforts geared to providing the necessary occupational skills required for employment in jobs related to the specific union or industry involved.

Another significant P&D effort involves a more comprehensive approach with services tailored to address the basic life, academic, and work skills required to lead to self-sufficiency. The experience and knowledge gained via this project suggest that dropout programs are only successful when they include:

(1) competency based training related to the work, such as (a) basic skill-literacy training, (b) socialization for work, and (c) job skill training;

(2) an encouraging environment and constructive feedback;

(3) strong capacity for job placement;

(4) contact and troubleshooting during and after on-site training, and

(5) evaluation of long-term impacts and mechanisms for program adjustment.

In addition, because of the increasing magnitude and severity of the difficulty faced by dropouts in acquiring employment, a new project was recently initiated geared specifically to identifying and testing more effective approaches for serving dropouts and other "at risk" youth. This project emphasizes highly motivational supportive services, linkages with vocational training institutions and other community service agencies, and individualized pre-employment preparation and job placement.

Question. What information on effective programs has come from the research and evaluation efforts?

Answer. A major 1985 research study by the National Research Council examined numerous youth projects implemented between 1978 and 1981 and concluded that, among other things, improved coordination between educational and job training programs is required if high school dropouts are to be adequately served. More effective delivery of basic education to dropouts was identified as a definite need.

According to the study, because inner-city, minority, high school dropouts suffer the most acute employment problems, highest priority should be given to serving this group. The study recommended that attempts should be made to test whether the inclusion of basic education and pure skills training in the Summer Youth employment Program results in reduced school dropout rates and/or increased employment for those who drop out anyway.

In general, research on high school dropouts suggest that comprehensive, intensive programs are necessary to address the multifold needs of dropouts and potential dropouts.

Various research and evaluation efforts of recent years have been designed and undertaken with these findings in mind. For example, the Summer Training and Education Program (STEP) provides intensive instruction to 14 and 15-year olds enrolled in summer youth programs at five sites. Targeted on youth doing poorly in school, STEP offers concentrated instruction in reading, mathematics and life planning. STEP is viewed as a preventative approach to the problem of youth employment; it is intended to reduce school dropouts by way of timely and effective intervention. The progress and experience of program participants are being compared with those of a control group.

Another project, JOBSTART, provides occupational skills training enriched with remedial education or basic skills training to disadvantaged dropouts, ages 17-21. This program also includes a control group and features an evaluation component.

With the Departments of Education, Justice, Health and Human Services, and the private sector, the Department of Labor is providing employment services and basic education services through a "Cities in Schools" project to dropout prone youth in some 15 States to reduce school dropout rates and school related violence, and to promote adult self-sufficiency.

In addition to the above, the Department is expecting much information valuable for program planning to emerge from a series of projects funded in cooperation with the Department of Health and Human Services. These projects are focused on dropouts, dropout prone in-school youth, and teenage parents.

UNSPENT FUNDS IN JOB TRAINING PROGRAMS

Question. We understand there is nearly a billion dollars in unspent job training funds being carried over from Program Year 1986 into Program Year 1987, in the block grant and dislocated worker programs. How much of these unspent balances represent excess funds over and above normal carryover?

Answer. The Department recognizes that some percentage of available funds will be carried over into the next program year to cover costs incurred in the latter part of the previous program year. The percentage will vary by State depending on program funding cycles peculiar to that State. However, in the absence of mitigating circumstances, the Department believes any carryover balance that exceeds 20 to 25 percent of availability could be considered above normal carryover.

Question. Please provide for the record obligated carry-in balances into Program Year 1987, State-by-State, for the block grant, dislocated workers, summer youth, and employment service programs.

Answer. Obligated State-by-State carry-in to Program Year 1987 will not be available until after the close of Program Year 1986 which ends June 30, 1987. A table showing carry-in balances for Program Year 1986 is attached. The carry-in balances used for budget projections are total national estimates based on past years actual experience.

JTPA Titles II-A, II-B and III, and Wagner-Peyser
Unexpended Obligated Balances Carried Into PY 1986

	JTPA II-A	JTPA II-B	JTPA III	Wagner-Peyser
Alabama	8,564,865	2,195,601	4,299,872	884,179
Alaska	2,528,141	60,269	648,156	563,115
Arizona	11,706,657	1,105,535	1,850,314	732,246
Arkansas	9,335,774	807,617	2,332,867	405,624
California	96,263,668	13,062,831	21,839,798	8,310,549
Colorado	5,328,607	445,926	2,555,598	542,823
Connecticut	5,696,744	1,592,272	912,185	0
Delaware	2,167,916	126,346	273,583	95,252
District of Columbia	1,530,928	1,801,377	755,827	1,385,179
Florida	33,299,789	4,605,182	10,926,372	3,302,084

JTPA Tities II-A, II-B and III, and Wagner-Peyser
Unexpended Obligated Balances Carried Into PY 1986

	JTPA II-A	JTPA II-B	JTPA III	Wagner-Peyser
Georgia	14,010,160	1,782,710	2,788,313	842,373
Hawaii	1,355,551	344,285	369,121	177,274
Idaho	1,470,446	258,933	853,594	895,478
Illinois	31,191,314	2,983,937	10,282,801	3,648,871
Indiana	15,970,815	2,463,893	6,025,766	2,514,681
Iowa	6,008,197	781,253	1,984,541	1,687,601
Kansas	2,239,760	233,167	2,224,813	96,323
Kentucky	32,435,535	1,271,985	5,914,357	1,833,515
Louisiana	23,850,286	1,399,279	5,526,926	2,453,217
Maine	1,066,209	549,698	1,655,286	304,233
Maryland	8,771,383	1,492,637	2,051,184	833,969
Massachusetts	7,772,364	2,631,562	2,898,893	2,190,846
Michigan	33,723,704	2,065,259	10,685,963	5,557,294
Minnesota	6,915,287	955,886	3,434,725	324,594
Mississippi	7,705,118	1,030,664	1,531,533	856,180
Missouri	12,468,233	2,578,349	2,124,932	3,078,618
Montana	1,535,176	82,270	845,951	121,780
Nebraska	1,049,977	303,249	634,937	1,723,836
Nevada	2,513,610	186,181	419,389	365,141
New Hampshire	3,082,863	219,145	783,682	364,936
New Jersey	18,630,447	3,933,242	4,589,424	1,959,307
New Mexico	2,456,116	277,941	959,754	1,458,768
New York	38,065,335	6,377,643	20,099,121	6,321,702
North Carolina	21,655,748	1,261,891	2,314.464	768,804
North Dakota	1,113,489	62,104	365,711	845,991
Ohio	55,412,479	4,412,068	16,460,009	4,170,330
Oklahoma	4,510,575	383,892	2,531,610	3,917,480
Oregon	11,410,032	689,670	3,339,746	673,892
Pennsylvania	50,358,112	6,622,889	15,453,401	4,363,536
Puerto Rico	56,364,845	2,939,408	5,646,229	4,005,423
Rhode Island	1,491,908	264,991	1,442,785	0
South Carolina	7,126,741	568,789	1,731,513	232,901
South Dakota	4,023,997	74,812	745,813	1,293,714
Tennessee	28,935,920	2,984,030	5,978,871	941,360
Texas	36,499,115	5,149,459	6,995,829	3,777,399
Utah	3,384,514	443,647	3,111,797	1,412,141
Vermont	2,139,968	178,887	29,967	177,938
Virginia	8,573,770	1,095,482	1,781,680	1,265,391
Washington	13,056,821	2,382,783	4,541,724	0
West Virginia	11,080,739	263,935	4,095,675	1,987,819
Wisconsin	8,142,096	2,272,449	4,644,610	948,533
Wyoming	2,827,936	182,679	270,508	401,952
State Total	778,819,780	92,239,989	216,561,520	87,016,192
Insular Areas *	4,029,847	105,457	1,211,415	422,522
TOTAL	782,849,627	92,345,446	217,772,935	87,438,714

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* Includes American Samoa, Guam, Northern Marianas, Trust Territories and Virgin Islands.

SPECIAL PROGRAMS

Question. Title IV of the Job Training Partnership Act requires the Secretary of Labor to establish a national clearinghouse to disseminate materials and information from exemplary programs which may be of use in the innovation or improvement of other programs conducted under this act, and it also authorizes technical assistance and guidance activities by Labor. How is Labor meeting these requirements?

Answer. The Department, recognizing the need for the interchange of information on program design and management, provides assistance through several methods.

First, the Department supports the clearinghouse approach to information sharing through its contract with the National Alliance of Business. Information sharing is also a principal objective of our grants to a number of other public interest groups, such as the National Governors' Association, the National Association of Counties and others. These organizations distribute information and sponsor conferences which invariably feature model programs and successful practices. The Department also provides information directly through guides and notices. The recently published guide on a "Systems Approach to Youth Competencies" is a good example. It includes descriptions of successful programs in all phases of youth program operation.

Finally, most of our research and demonstration studies are made available to program operators through their inclusion in the National Technical Information Clearinghouse.

Question. Specifically, to what extent has information on effective dropout programs been disseminated through a clearinghouse, technical assistance and guidance, or in other ways?

Answer. A considerable amount of information on dropout programs has been disseminated to the system. Both the NAB and Brandeis Clearinghouses have done this as well as many other organizations. The Department has also directly provided assistance. A good example is the comprehensive youth competencies guide distributed last year. It presented extensive examples of successful youth program designs in serving dropouts and other at risk youth.

ILLITERACY

Question. Mr. Secretary, you have repeatedly expressed concern about the alarming level of adult illiteracy in this country. What is being done to mobilize the resources of the Labor Department and the Federal government to combat the problem of illiteracy?

Answer. Literacy is one of the basic themes of the Job Training Partnership Act (JTPA) programs. We have called on the training and employment system to provide literacy training and we plan to provide assistance in this effort. We issued an information bulletin in which we describe the different Federal educational resources in a community which potentially could be linked to JTPA programs to provide basic education for JTPA participants and those persons eligible for the program. We have worked cooperatively with ABC and PBS on Project Literacy U.S. (PLUS) to expand Adult Literacy initiatives. We will be announcing shortly a series of demonstration projects that will increase the literacy levels of American workers. These projects involve: instructional technology transfer and new instructional technology to find out what works and under what conditions; assessment tools that can pinpoint more efficiently specific basic skills deficiencies, and how we can best meet the needs of persons of limited English-speaking abilities.

In the President's initiative to assure competitiveness into the 21st century, he called on all levels of government to work together to assure that we improve our children's basic skills—reading, writing, and computation—to instill in them productive habits and sound values, and dramatically reduce illiteracy by the year 2000. The Department of Labor with representatives from the Departments of Education, Defense, Commerce, other agencies and the private sector, under the leadership of the Adult Literacy Initiative in the Department of Education, are exploring the feasibility of transferring existing federally developed educational technology to the public and private sectors to help achieve this goal.

Question. Is it realistic to expect that illiteracy can be eradicated by the year 2,000?

Answer. The President, in his message on the Competitive Initiative, has established a national goal of reducing illiteracy dramatically by the year 2,000. If education, the private sector, and the government work together in a concerted effort, the President's goal is achievable.

CONTRACTING AT JOB CORPS CENTERS

Question. Your budget justification indicates you plan to contract out the Job Corps "Civilian Conservation Corps" centers currently operated by the Departments of Agriculture and Interior. Exactly how do you plan to proceed, as stated in your budget justification, "subjecting these centers to the competitive process delineated in OMB Circular A-76?"

Answer. Many of the details, of course, remain to be worked out with the Department of Agriculture, which has 18 Job Corps centers, and the Department of Interior, which has 12. Our preliminary approach, however, is suggested in the Circular itself, which says the following in Supplement Part I, Chapter 3:

> ...services available from other Federal agencies may be used unless the needed product or service can be more economically obtained from the commercial sector. The agency requiring the... service shall use the procurement process to establish commercial prices. The prospective providing agency shall furnish the requesting agency a firm price... which will then be compared by the requesting agency to the commercial price. A contract shall be awarded if the commercial price is more economical.

Our basic plan is for the Department of Labor to conduct its normal competitive procurement process for each of the 30 centers involved. This will lead to our selection of the most favorable commercial proposal for each of these centers. The Department of Labor will then compare the commercial proposal with the budget proposed for that center by the agency that now operates the center (Agriculture or Interior). After factoring in the one-time costs of converting from Federal to contractor operations and other cost elements as required by the OMB Circular, the Department of Labor will either issue a contract to the winning commercial offeror or notify Agriculture or Interior that they should continue to operate the center.

COST IMPACT OF JOB CORPS CLOSINGS AND TRANSFERS

Question. Your budget justification indicates you plan to close 4 to 8 Job Corps centers soon after December 31, 1987. When will you announce the specific centers to be closed?

Answer. We will make these announcements in early October 1987. We plan to allow at least 3 months lead time to the centers affected.

Question. If Congress extended the current moratorium on the closing of Job Corps centers through Fiscal Year 1988, how much would have to be added to your budget to prevent cutbacks in other areas?

Answer. Our budget request assumes that our capacity realignment plan will net $25.6 million in savings in the 1988 Program Year. Therefore, if the moratorium against center closings is extended, the budget would need to be increased by that same amount in order to prevent cutbacks in other areas.

Question. How much more would it cost in Fiscal 1988 if Congress denied your request to contract our the Job Corps centers now being administered by the Department of Agriculture and Interior?

Answer. Because of one-time conversion costs, our 1988 budget request does not include any net savings from competitively bidding these federally administered centers. In fact, it will have a net cost of $4.9 million. After 1988, the net savings would accumulate at about $8 million per year.

TRADE ADJUSTMENT ASSISTANCE

Question. We note that your budget indicates that $176 million will be spent in Fiscal 1987 for Trade Adjustment Assistance benefits, an increase of $62 million over the amount originally estimated. Does this indicate that the $26 million appropriated for job search and relocation under the Trade Act may be insufficient?

Answer. Requests for training and other reemployment services have also increased and will likely exhaust the funds appropriated specifically for Trade Act training during the next few months. However, the Department does not need additional appropriations for this program.

The large unspent balances in the Dislcated Workers Program authorized under Title III of JTPA demands that States examine this resource to finance new requests for training. States have been encouraged to use available JTPA funds to finance training requested by certified workers.

Furthermore, as of July 1, 1987 another $200 million of JTPA Title III resources will become available. This amount on top of the large unspent balances already in the system, assures that training needs for TAA-certified workers can be met.

Question. How long is it now taking you to certify petitions under the Trade Act?

Answer. Significant progress since the beginning of the Fiscal Year has been made in reducing the time required to issue determinations on worker petitions filed with the Department and in reducing the backlog of worker petitions. The Department is presently issuing determinations on petitions within 60 days of the date factfinding investigations are instituted on over 85 percent of petitions and within 90 days on over 95 percent of petitions.

PRIVATE INDUSTRY COUNCILS (PICs)

Question. Under the current dislocated worker assistance program, private industry councils in many states have a key role. Do you envision strengthening the role of Private Industry Councils in your new legislative initiative on behalf of dislocated workers?

Answer. Yes, the proposal would strengthen the role of Private Industry Councils (PIC's) considerably in comparison with their positions in the current program under Title III of the Job Training Partnership Act (JTPA). (PIC's have no role to play under Trade Adjustment Assistance.)

The Administration's proposal provides for distribution of 80 percent of funds allotted by formula to substate areas. JTPA PIC's in service delivery areas (SDA's) with populations 500,000 or more must be designated as substate areas. Other PIC's and SDA's are designated as well to ensure statewide coverage. Local PIC's will provide policy guidance, and exercise oversight over readjustment services in substate areas under the Administration's proposal. Under JTPA , while many PIC's do play a key role, the legislatively mandated responsibilities of PIC's are limited to review and recommendation on proposed projects.

Question. What role will Private Industry Councils have in your AFDC Youth and Employment Service legislative proposals?

Answer. Private Industry Councils (PIC's) have a key role in both the AFDC Youth and Employment Service legislative proposals. For the AFDC Youth program, the PIC's will be the facilitators for all local linkages, including those with the public education system. We expect that PIC's will use a portion of the States' 8 percent education funds for this program and will also use the linkages they have already developed with proprietary schools and vocational education programs. In addition to initiating linkages with the local education system to provide such services as alternative schools and literacy training, PIC's will also be responsible for coordinating with other local programs which provide services such as drug counseling and family planning.

Under the proposed Employment Service legislation, the role of the PIC's would be enhanced to provide for greater private sector involvement. The PIC role would be enhanced to include reviewing and evaluation the public employment service activities within their service delivery area, and providing policy guidance with respect to local labor market conditions and needs.

ROLE OF GOVERNORS

Question. What will be the role of governors in these legislative proposals?

Answer. For the Worker Readjustment Program, the role of the Governor will be similar to that under Title II-A of the Job Training Partnership Act (JTPA). Governors would have Statewide planning and oversight responsibility; would designate substate areas; and allocate funds for basic readjustment services within the State. Governors would negotiate with local elected officials and PIC's to determine who the substate grantees will be. States would establish a rapid response capability, which may include incentives to encourage employers to give early notification of dislocations. Governors also would establish linkages between worker readjustment programs and the unemployment insurance system and other State programs.

Proposals to decentralize the Unemployment Insurance (UI) system and to refocus the public Employment Service (ES) would enhance the role of the State significantly.

The UI proposal, would give States full responsibility and authority over the financing and administration of the States' individual unemployment insurance programs. Under this proposal, each State would determine the level of resources made available to administer these programs. As the State's chief elected official, the Governor of each State would also continue to have full responsibility for carrying out these programs within Federal and State legislative constraints. However, basic UI program objectives--to provide short-term partial wage replacement for workers who lose their jobs, and to collect employer taxes to finance the unemployment benefits would remain unchanged.

Under the ES proposal, responsibility would be decentralized to the States to design and deliver services to meet worker and employees needs. Funds initially would be granted to the Governors with only very broad Federal requirements. The proposal provides flexibility to the governors to design an organizational structure most responsive to the delivery services needed. While the proposal mandates that States provide sufficient resources to maintain a statewide service, the governor would continue to establish overall goals and objectives as well as statewide priorities for the delivery of employment services. The governor's role is strengthened by an enhanced State Training and Employment Council. Each State will also be responsible for determining the level of resources made available for employment services.

For the AFDC Youth proposal, the role of the governors again will be similar to that under Title II-A of JTPA. The Governor establishes the service delivery system, reviews and approves local plans, and oversees program operations in order to monitor compliance, review program performance, provide technical assistance where necessary, and take corrective actions where appropriate. Because the State is responsible for administering two complementary systems -- JTPA and AFDC -- the Governor has the opportunity to exercise strong leadership in fostering effective program coordination between the two systems.

PROPOSED LEGISLATION TO SERVE AFDC YOUTH

Question. You are proposing legislation to replace the Summer Youth Jobs program with a new AFDC youth initiative. How many youth in the existing summer program would no longer be eligible for the new program?

Answer. The Department does not collect data on the number of youth in the summer jobs program who are in families collecting AFDC and, thus, would be eligible for any year-round AFDC component offered locally. However, all presently eligible summer youth would continue to be eligible for any summer jobs components as well as programs authorized under Title IIA. The decision to continue to operate the traditional summer program using the same eligibility as under current law, operate a year-round program limited to AFDC youth, or operate both is a local decision. The Administration's proposal amends the Summer Youth Employment and Training Program (SYETP) to give States and local areas an additional option to running just a summer youth jobs program. It is not intened to replace the SYETP.

Question. Would your legislation permit enrollment of handicapped or homeless youth not on AFDC?

Answer. The AFDC Youth Initiative is a program option which targets services to young parents receiving AFDC and AFDC dependents. While handicapped or homeless youth not receiving AFDC would not be eligible for this particular program, they certainly are eligible to receive services under the whole of Title II-A, the summer jobs program under Title II-B, or very possibly the Job Corps.

Question. How would your proposal impact rural areas, which may not have large numbers of AFDC youth, but still have significant youth unemployment problems?

Answer. The AFDC Youth Initiative is proposed as an optional program that would be added to the traditional summer jobs program currently authorized by Title II-B; it is not intended to replace the summer jobs program. Since service delivery areas (SDA's) will decide on an individual basis whether or not to operate an AFDC Youth program, we anticipate that areas such as some rural areas, which do not have significant numbers of AFDC youth would choose not to operate this program option and continue to operate the traditional summer jobs program with the available Title II-B funds.

JTPA TITLE IV INDIAN PROGRAM

Question. Title IV of JTPA provides for a special set-aside of funds for tribes and off-reservation Indian and Native American groups. Grantees use these funds to provide skill training, remedial education and work experience to approximately 30,000 unemployed or economically disadvantaged youth and adults.

The Administration has proposed reducing the amount of Indian Title IV funds from the level of $61,484,000 available for the 1987 funding cycle to a level of $58,839,000 in 1988.

How would this reduction affect the ability of tribes and off-reservation Indian grantees to meet the needs of their members in communities where unemployment can exceed 60%, 70% and even 80% of the available labor force?

Answer. Financing for the Title IV Indian Program is based on the amount requested for the Title II-A block grant program as specified by the JTPA. Although the reduced funding level reflects a 4.3 percent reduction in financing for the program from 1987 to 1988, we estimate that the availability of unexpended carryover funds from 1987 will allow Native American grantees to serve approximately the same number of participants in 1988 as they did in 1987.

JTPA SUMMER YOUTH PROGRAM

Question. Indian tribes, Native Alaskan and Hawaiian organizations currently receive direct funding from a special set-aside in Title II-B of JTPA to provide summertime work experience to economically disadvantaged youth on reservations, in Alaska and in Hawaii. The amount of Summer Youth funds provided for this set-aside in the FY 1987 Continuing Resolution is approximately $13,639,000.

The Administration has proposed a rescission of over 13% in these Summer Youth funds. How many Indian and Native American youth would be denied services if this rescission were to be approved by the Congress?

Answer. The proposed rescission of Summer Youth funds will still provide a level of funding that is slightly more than the 1986 level. We estimate that at that funding level Native American grantees would be able to serve at least the same number of participants as were served in the 1986 program.

Question. The Administration indicated in its FY 1988 budget that it wants to replace the current Summer Youth program with a new program targeted on youth in AFDC families.

Under this proposal, would the special set-aside and funding arrangements for Native American groups be continued or would it be ended?

Answer. Direct funding for Native American groups will continue under the new proposal.

Question. If the special funding arrangement for Native American youth programs is continued, how many Indian and Native American youth might still be denied services because of the proposed change in the focus of the program to services for youth only in families receiving AFDC? Does the Administration have any figures on this point?

Answer. The provision of services for youth only in families receiving AFDC is only one option available to the providers of services under the proposed JTPA AFDC Youth Proposal. The option is still available to service providers to run a traditional Summer Youth program, or to run both. In addition, Indian and Native American grantees in the aggregate each year do not spend all of the Summer Youth program funds available to them and carry these funds into the next summer's program. For these reasons, we do not believe any Native American youth will be denied services solely because of not being in a family receiving AFDC.

The Department does not collect data on the number of youth served under the JTPA Indian and Native American program who are members of families receiving AFDC.

USE OF TECHNICAL ASSISTANCE FUNDS FOR SUPPORT OF THE INDIAN PROGRAM

Question. What plans, if any, does the Department have to use any of the funds requested for technical assistance and training to support the Indian Title IV program?

Answer. Technical assistance and training activities are expected to focus on continued improvement in grantee financial and management systems and on improving program designs, in particular literacy components, to meet the training development needs of participants.

TITLE III VERSUS NEW WORKER ASSISTANCE PROGRAM

Question. The JTPA Title III Dislocated Workers program has placed 69 percent of participants in jobs -- a higher rate than was achieved by earlier employment and training programs. In addition, the average placement wage rate was $6.61 an hour -- significantly higher than wage levels reported by other employment and training programs, although it is generally lower than participants' prior wages and considerably below the $8.52 an hour paid to private sector nonsupervisory workers.

Given the success of the Title III program, why is the administration proposing a new program instead of increasing the funding for Title III and suggesting amendments to correct the problems identified with the Title III program?

Answer. The Administration's proposal builds on the success of Title III. However, experience has shown certain limitations with that program as well as the other major program for dislocated workers -- the Trade Adjustment Assistance Program (TAA). The new readjustment program is designed to correct these deficiencies by establishing a single comprehensive program for all dislocated workers. It will not only eliminate inequities inherent in the current disparate approach, but incorporate best practices from the experiences under Title III and TAA. Specifically, the new program will:

- o Establish a new comprehensive program covering all workers regardless of the cause of dislocation;
- o Provide incentives for early notification of plant closing and layoffs and mechanism for early intervention;
- o Provide flexibility to target resources and move them to areas of need;
- o Stress adjustment assistance and training--as opposed to income support;

- o Establish close linkages to the Unemployment Insurance systems as part of the adjustment process.

These new approaches can best be accomplished under a new program.

EDUCATION AND TRADE COMPETITIVENESS

Question. Our competitive trade position with other countries has been seriously eroded in recent years. You have cited the necessity for the education system to prepare our young people for a technologically complex society if we are to improve and maintain our competitive position. In testimony before the Senate Committee on Labor and Human Resources (January 13, 1987), you also stated that the Labor Department will take an active role in efforts to enhance the educational skills of the workforce, and cited the "Literacy in the Workplace" collaboration with the Education Department as one such initiative. What specific accomplishments have come from the Labor Department's collaboration with the Department of Education to alleviate the educational deficiencies of the workforce?

Answer. The Department of Labor has developed several joint initiatives with the Department of Education. Secretary Bennett and I sent a joint letter to Governors, encouraging them to establish State Apprenticeship/Vocational Education Steering Committees. Our Departments developed and have recently issued a guide to help State officials designated by Governors coordinate apprenticeship and vocational education. We are also working under an interagency agreement with the Departments of Education, Labor, Health and Human Services, and Justice, to support Cities-in-Schools which provides employment and basic education services to at risk or dropout prone youth in 15 States. In addition, under the Job Training Partnership act, education and job training, and employment programs continue working together at the State and local levels. For example, the eight percent education setaside clearly demands education and job training and employment collaboration to address the literacy and other employability needs of disadvantaged youth and adults.

The Department of Labor will be announcing shortly an action plan of demonstration projects intended to increase the literacy levels of workers and potential workers. Among these projects will be joint projects with the Department of Education involving instructional technology transfer to find out what works best under what conditions, and instructional approaches to determine how best to meet the literacy and basic skill needs of persons of limited English-speaking abilities.

Question. How important is the Federal role in this human resource development in comparison to actions that can and should be taken by others, such as the States, local school systems, and employers themselves?

Answer. Our future competitive position depends, in large part, on our investment in human capital. The Federal government has a leadership role to play in calling attention to the need to assure that our workers--and employers--are prepared for the changing demands of the job market, providing resources to increase investment in human and intellectual capital, and seeking programs or technologies that work and can serve as models. Ultimately, however, human resource development must be addressed and solved at the community level by a joint effort of all sectors of our society--employers, education, labor organizations, and community organizations. The States play a critical role in helping local communities respond to the challenge of the changing job market.

ADEQUACY OF JTPA FUNDING

Question. JTPA cannot serve all the people eligible for the program. In fact some say only 2 to 4 percent of those needing services ever receive them. While we recognize that not all of the remaining 96 to 98 percent want to or are able to apply for JTPA program services, these figures do provide some order of magnitude of JTPA's ability to serve its intended clients. Can Labor say it is committed to assisting the needy when such an insignificant percent of people are being helped?

Answer. The Department is committed to assisting the needy and is doing so with substantial resources. Since JTPA began operating in October 1983, over $17 billion has been appropriated for its programs and almost 5 million economically disadvantaged adults and youth have been served.

Question. Does the program really have a meaningful national impact or could it?

Answer. We believe that the program does have a meaningful impact. During program year 1985, approximately 1.3 million persons were served by JTPA Title II-A and III programs. Over the total 33 months from JTPA's inception until June of 1986, approximately 2.5 million persons have been served by these programs. In addition, the Summer Youth Employment program served over 700,000 youth last summer. Approximately 65 percent of all JTPA participants, or 1.6 million persons, have entered employment through JTPA programs.

Question. How much do you think it would cost to do so?

Answer. The targeted population is being served not only by JTPA, but also by other related government programs. Because of the complexity of measuring the wide range of needs and accounting for all current services, a single, specific cost figure would be meaningless.

TITLE II-A, JOB TRAINING PARTNERSHIP ACT

Question. Your budget documents indicate that your proposed funding levels, including the rescission proposed for FY 87, would serve fewer people in Title II-A during FY 87 and FY 88. Does this contradict the statement, also in your budget documents, that funding cuts would not require a comparable reduction in services?

Answer. The proposed rescission in the Title II-A block grant would require a small reduction in services in Title II-A. However, the statement in the budget includes the rescission applicable to Title II-B, the summer program. Because of carryover and proposed additional flexibility in the use of summer resources, the reduction in services in the summer program will be less than the new budget authority decrease would indicate.

Question. How much carryover money is currently available in the Title II-A program? Do your estimates of program participants and average enrollment levels reflect the availability of these carryover funds?

Answer. Our latest data shows that almost $783 million of Title II-A funds were carried over into Program Year 1986 which began July 1, 1986. The number of program participants and average enrollment level estimates are based on the availability and expenditure of these carryover funds.

Question. The Department of Health and Human Services is proposing mandatory work and training requirements for welfare recipients, including mothers of young children, although no separate funding is requested in the HHS budget for these services. Do you expect this to result in greater numbers of welfare recipients to Title II-A of JTPA?

Answer. The requirements which you refer to are part of the Greater Opportunities through Work (GROW) proposal which has been developed in close consultation with the Department of Labor. GROW and our AFDC Youth Program are intended to complement each other. GROW has a number of features for addressing the training and work needs of the AFDC population. First, mothers and children aged 16 to 18 who have not completed high school would be required to remain in school or return to regular or alternative high schools. Other AFDC recipients would be required to participate in a variety of activities. While mothers and children 16 to 18 might be candidates for the AFDC Youth programs those 18 to 21 are the more likely candidates. Those over 21 would be eligible for training under JTPA Title II-A. Second, support services, including child care and transportation will be reimbursed or provided to those in training and employment activities. The Federal government will provide 50 percent of the financing for support services and work related activities. Third, GROW will be phased in over five years. For that reason, we do not expect a major influx of AFDC recipients into II-A in FY 1988.

Question. At the same time the Administration is proposing new work and training requirements for welfare recipients, which will likely place greater pressure on the Title II-A program, why are you proposing funding reductions for Title II-A?

Answer. This action is part of an effort to provide a balanced program to serve Title II-A eligibles, welfare youth, other youth, and dislocated workers within the total that can be made available for training and employment services. The total allocated to this area of Federal activity in the 1988 budget is higher than appropriated in 1987 and higher than the current services cost of continuing those programs in 1988.

TARGETED JOBS TAX CREDIT PROGRAM

Question. Legislation re-establishing the Targeted Jobs Tax Credit program (TJTC) was not enacted until after the House and Senate had passed the fiscal 1987 Labor-HHS-Education money bill last fall. As an interim measure, the Continuing Resolution permitted State Employment Service agencies to divert a portion of their funding to administer TJTC activities. How much money are State

Employment Service agencies spending to administer the Targeted Jobs Tax Credit program?

Answer. Financial reporting of the Targeted Jobs Tax Credit program is not required. Consequently, expenditure data for the program are not available.

Question. What is the magnitude of the backlog in employer requests for certification?

Answer. At the time the Targeted Jobs Tax Credit program was reauthorized by the Tax Reform Act of 1986 (PL 99-514), States estimated that there were approximately 1,100,000 requests for certification accumulated during the period January 1, 1986 - October 21, 1986 (the retroactive period). Not all of these are eligible for certification. It is the Employment and Training Administration's understanding that States are working on the backlog as well as on current requests.

Question. Why are no funds requested to administer the Targeted Job Tax Credit program in either Fiscal Year 1987 or 1988?

Answer. The Targeted Jobs Tax Credit is a tool available to the States to assist in placing individuals in employment and thus is a part of the State public employment service function. The 1988 request for Employment Service allotments to States includes language similar to that enacted by the Congress in the 1987 appropriation, allowing States to use Employment Services resources to administer the Targeted Jobs Tax Credit. This language reflects the role of the Targeted Jobs Tax Credit as a tool for facilitating placement of those needing employment.

NEW IMMIGRATION LAW

Question. What do you estimate it will cost State Employment Service agencies to provide documentation on its referrals to employers about the legal status of immigrants?

Answer. The Department of Labor has not developed a cost estimate of verification of employment eligibility. The cost will be determined in large part by the documentation and recordkeeping requirements imposed by the Immigration and Naturalization Service. These requirements are still being formulated.

It should be pointed out that although the law makes it illegal to hire or recruit, or refer for a fee for employment any individual without verifying that the individual is not an illegal alien, Employment Service verification of employment eligibility is optional, left entirely up to the States.

Question. What will be required to administer the new H-2A program?

Answer. An analysis of the Department's resources to administer the H-2A program is presently being formulated.

DECENTRALIZATION OF THE EMPLOYMENT SERVICE AND THE UNEMPLOYMENT INSURANCE PROGRAMS

Question. The President's Fiscal Year 1988 budget message proposes to "...decentralize authority, financing, and responsibility for administering..." the unemployment insurance and employment service programs to the States, but to "...retain its current responsibilities...of financing the costs of State administration..." If the Administration believes that these programs should be operated by the States, why doesn't it recommend abolishing the Federal tax that finances the administration of these programs and let the States collect taxes to finance these costs?

Answer. That is what the Administration proposes. The Federal responsibilities that will be retained are ensuring that State programs comply with existing requirements in the Social Security Act and Federal Unemployment Tax Act, and financing certain Federal programs and activities such as statistics for the BLS and certain veterans employment services. Employer liability under the Federal Unemployment Tax Act would be reduced sharply to free up resources for the States.

IMMIGRATION

Question. The Immigration Reform and Control Act of 1986 requires persons or organizations referring workers for employment to verify that they are eligible to work in the U.S. but it does not mandate that the Employment Service undertake such verification responsibilities. Describe the Employment Service's plans, if any, for carrying out worker verification responsibilities.

Answer. Whether or not to carry out such verification responsibilities is a decision for each State to make. States electing to perform this function will be required to follow the specific procedures to be incorporated in regulations of the Immigration and Naturalization Service (INS), including documentation, forms, and recordkeeping. The Department of Labor is currently working with representatives of State employment agencies and INS to develop procedures which will meet INS security requirements without imposing undue administrative burdens on State agencies.

Question. For those Employment Service offices that plan to undertake verification activities, what is the expected impact on their job orders from employers?

Answer. Assuming that, in addition to providing an affirmative defense for employers, verification of employment eligibility by the employment service would save employers time and money, the Department would expect an increased number of job orders to be filed by employers. However, the extent of that increase cannot be estimated. The extent to which employers will save or expend time will be determined in large part by the documentation and recordkeeping requirements required of employers by INS when State employment services elect to verify employment eligibility.

Question. Because of the law's mandatory verification requirement, will Job Training Partnership Act contractors and/or subcontractors who refer persons for employment be expected to verify that they are eligible to work?

Answer. The law makes it unlawful for a person or other entity to hire, or to recruit, or to refer for a fee for employment in the U.S. an individual without attesting on a designated form to verify that the individual is not an unauthorized alien. The law further provides that the employer will be deemed to have complied with the verification requirement if an individual has been referred for employment by a State employment agency if the employer retains appropriate documentation of the referral, which specifically certifies that the State agency satisfied the verification requirement.

Job Training Partnership Act (JTPA) contractors and/or subcontractors who refer or recruit persons for employment would not be expected to verify that they are eligible to work because: (1) JTPA contractors and/or subcontractors do not refer or recruit for a fee; and (2) JTPA contractors and/or subcontractors are not normally State employment agencies. However, there could be situations in certain programs of JTPA where an employer/employee relationship could exist between a JTPA entity and its participant. In such situations, the JTPA entity, as an employer, would need to verify that the participant is eligible to work. This would also apply to contractors and subcontractors operating programs under JTPA.

Question. Because the Immigration Reform and Control Act of 1986 prohibits employers from hiring illegal aliens, there may be a substantial increase in the number of applications by employers for foreign temporary agricultural workers in the U.S. If this occurs, what is the expected impact on labor's work regarding (1) certifying the need for foreign agricultural workers and (2) recruiting and placing U.S. agricultural workers?

Answer. We do not anticipate that there will be a substantial increase in workload during the 1987 season. The current H-2 program workload has remained fairly constant in recent years at about 1,000 employer applications involving about 20,000 workers per year. Based on conversations with employer and worker representatives and observations from field staff, the Department anticipates only a modest increase in the first year of the H-2A program. It is impossible to predict precisely how the agricultural employer community will react to the statute; however the Department expects continued growth in workload.

Regarding recruitment of U.S. workers, at whatever level the program is operated, DOL will continue to require recruitment through the employment service Interstate Clearance system for each application received. In addition, under the new H-2A program, strengthened positive recruitment efforts by employers will be required, as called for by the Immigration Reform and Control Act of 1986.

Question. Under the Immigration Reform and Control Act of 1986, the Departments of Labor and Agriculture are responsible for determining the number of "replenishment" workers needed in agriculture, that is, foreign workers to fill a shortfall in U.S. farm labor. Describe plans, to date, for developing procedures to estimate agricultural labor shortages.

Answer. The following are procedures developed to estimate agricultural labor shortages:

Requirement Imposed by the Immigration Reform and Control Act

The Immigration Reform and Control Act requires that the Secretary of Labor and Secretary of Agriculture estimate the "shortage", if any, of workers to perform seasonal agricultural services. The first estimate is to apply to the Fiscal Year 1990 and must be made prior to October 1989.

As required by the statute, the estimate of a shortage must proceed by first estimating a "base". This base is an estimate of the number of work-days of labor performed in seasonal agricultural services in the United States in the fiscal year just prior to the current fiscal year.

Various estimated adjustments must be made to the base in order to accomplish estimates of "need" or demand for work-days of labor services and work-days of supply of these services in the forthcoming fiscal year. These estimated adjustments are as follows:

-- For need

(1) An estimate of the number of work-days of labor that would have been needed to have avoided any crop damage or other loss that resulted from the unavailability of labor.

(2) An estimate of the number of additional (fewer) work-days of labor that will result from growth (contraction) in the seasonal agricultural industry during the fiscal year.

(3) An estimate of the number of additional or fewer work-days of labor that will result from the use of changed technologies and personnel practices during the year.

-- For supply

(1) An estimate of the number of work-days that will be lost due to retirement and movement of workers out of seasonal agricultural services.

(2) An estimate of the number of work-days of labor in seasonal agriculture that can "reasonably be expected to be forthcoming from the ranks of" able, willing, qualified and unemployed special agricultural workers, rural low skill or manual laborers, and domestic agricultural workers.

The Department of Agriculture has proposed taking responsibility for estimating the base estimate of the number of work-days of labor employed in the previous fiscal year and the three adjustments for "need" listed above.

The Department of Labor is taking responsibility for estimating:

(1) Work-days lost due to retirement and movement out of Agriculture.

(2) Work-days of labor reasonably to be expected from rural unemployed.

The Department of Labor is currently developing a methodology for making these estimates.

Question. The Immigration Reform and Control Act of 1986 requires the Department of Agriculture, in consultation with the Departments of Labor and Health and Human Services, to examine the cost and feasibility of establishing a telephone verification system for determining workers' eligibility for employment. It also requires the Social Security Administration, together with Agriculture and Labor, to study a social security number validation system. Describe plans, to date, for studying a telephone verification system and a social security validation system for verifying job applicants eligibiliy for work.

Answer. The Labor Department is prepared to provide technical assistance to both Agriculture and the Social Security Administration in the design and implementation of these studies.

Question. The Immigration Reform and Control Act of 1986 requires Labor to conduct several immigration-related studies. Describe Labor's plans, to date, for conducting studies on the temporary agricultural worker program and employer sanctions enforcement, and for preparing a "comprehensive immigration impact" report.

Answer. The Immigration Reform and Control Act of 1986 (IRCA) requires the Labor Department to take the lead in conducting studies necessary to prepare the following reports: (1) biennial reports on the H-2A program, which are to cover basic program data, such as number of workers involved and compliance problems, as well as analysis of the impact of the program on both U.S. agricultural employers and workers; and (2) a report on the H-2A 50 percent rule, which is to review all available evidence pertaining to the advisability of continuing the 50 percent rule. Detailed planning for these studies has not yet been started. The first biennial report on the H-2A is due in November 1988, while the due date for the report on the 50 percent rule is November 1989.

The IRCA also requires the Department to contribute to three different Presidential Reports to Congress: (1) the Triennial Comprehensive Report on Immigration; (2) the annual reports on Unauthorized Alien Employment; and (3) two reports on the Legalization Program.

The first triennial comprehensive immigration report is due January 1, 1989. This report is mandated to include a description of the impact of immigrants and refugees on the economy and on the labor market. As part of its contribution to this aspect of the report, the Department's Bureau of International Affairs has recently updated its computerized data base of arriving immigrants to include Fiscal Year 1986 immigrant admissions and has begun a comparative analysis of the characteristics of Fiscal Year 1983-86 adult immigrants admitted with and without labor certification.

The Department also expects to participate in the Administration's preparation of the annual reports on the implementation of section 274A of the Immigration and Nationality Act (related to unlawful employment of aliens), due during the three years after its implementation. The Department is designing an analysis of the impact of the enforcement of employer sanctions on the employment, wages and working conditions of U.S. workers and the economy. Current plans for this design include an analysis of existing data sources for employment and unemployment, with special reference to specific industries in which illegals are likely to have worked, e.g., "eating and drinking places." The Department is also considering the use of the Bureau of Labor Statistics Industry Wage Surveys for analyses of wage changes in immigration-sensitive industries. Analysis of administrative data from the Wage and Hour Division's enforcement activities relating to section 274A is also under consideration.

The Immigration Reform and Control Act of 1986 also requires the President to transmit to Congress two reports on the legalization program, the first describing the population of legalized aliens and the second on the impact of the legalization program, including a description of their patterns of employment. As part of its anticipated participation in these reports, the Department has reviewed several drafts of the INS legalization forms, refined questions relating to the labor market, and met with INS, HHS, and Census Bureau researchers to discuss legalization survey issues and options.

SERVICE SECTOR DATA COLLECTION

Question. Your budget contains $2.5 million for data collection related to the rapidly growing service sector of the economy. Do you believe the Bureau of Labor Statistics now devotes an adequate share of its budget to service sector data collection?

Answer. BLS has received approximately $2-1/2 million to expand coverage of the service sector. Given that some programs such as the Consumer Price Index and the Current Employment Statistics (BLS-790) program already provide extensive detail on services or the service sector, the resources have been used in those program areas where coverage has been limited--either in scope or in terms of the level of service industry detail. Thus, the BLS efforts have been focused on the relatively new BLS data series for export and import prices and total compensation (known as the Employment Cost Index); the Producer Price Index where coverage of the goods-producing sector was only recently funded and completed; and Industry Productivity measures. Aside from small amounts of resources devoted to special studies such as analysis of the growth of business services, the additional resources BLS has received have been devoted to extending detailed coverage of the service sector in these four program areas.

Question. What improvements still need to be made in service sector data collection?

Answer. Extension of coverage, with more industry detail remains an important long-run goal for the productivity and price programs mentioned earlier as well as for the Employment Cost

Index. BLS is pursuing this goal within the limits of available resources.

BUILT-IN INCREASES

Question. The budget for the Bureau of Labor Statistics contains $17,373,000 for so called "built-in" increases. Why does the Bureau's budget need to grow by more than 8 percent in FY 1988 just to maintain existing programs?

Answer. The $17.4 million for built-in increase does not fund just inflationary increases for Bureau programs. This category also includes outyear costs for programs the Congress has approved as well as legislated actions for federal pay and retirement costs.

In FY 1987, the Congress approved the first year funding of the 5 year government wide revision of the Standard Industrial Classification (SIC) system. Post 1987 increases or decreases for the SIC program are shown as "built-in" changes. The FY 1988 budget includes $2.6 million for second year funding for this program. Also shown as a built-in change is funding for the new Federal retirement system. The FY 1988 request of $4.2 million includes the BLS share of funding in FY 1988 as well as part of the "unfunded liability" for the retirement system that was previously funded in the appropriation for the Office of Personnel Management.

Additionally we are requesting $1.6 million for full year funding for the 3% pay raise for Federal workers effective in January 1987. Of the 2.5 million request for higher Census Bureau costs, $1.9 million is for the pay and retirement increases explained above. The total amount of the increases related to program change and legislated pay and retirement benefits described above is $10.3 million or 60% of the total change of the Built-In increases.

Of the remaining $7.1 million in this category, an increase of 3.4% over the comparable 1987 base, the two largest items relate to space rent and higher costs of Federal-State programs. The space rent increase of $1.6 million was provided to us by the General Services Administration (GSA) and reflects higher costs estimated by GSA for the current space we occupy. The state cost increase of $2.1 million ($.7 million general funds and $1.4 million trust funds) is a 3.1% increase over the FY 1987 base for these National Statistical programs. The remaining $3.4 million includes funding needed for: an extra day of pay, costs for within grade increases and merit pay bonuses for Federal staff, increased costs of contractual services; high costs for supplies, equipment, travel; increased costs in printing, communications, and Federal Workers Accident Compensation (FECA). The "built-in" increases in this category are based on a series of deflators used for this purpose.

Question. What steps can be taken to control the growth of "built-in" increases?

Answer. The Bureau is working to control its costs by: contracting out services whenever possible; using the competitive procurement process to guarantee the lowest possible prices for the goods and services purchased, and initiating management improvements in state programs to control cost increases.

PERMANENT MASS LAYOFF AND PLANT CLOSING PROGRAM

Question. For the first time, your budget contains funding to continue development of the Mass Layoff and Plant Closing survey. What is the status of this project?

Answer. Forty-four States and the District of Columbia are currently funded in the Permanent Mass Layoff and Plant Closing (PMLPC) program. Funding has been provided to 17 States for the developmental phase of the program, while 28 States are funded for ongoing operation. The balance of States are expected to enter into developmental cooperative agreements by the end of FY 1987.

Question. Exactly how much is in the budget for fiscal 1988, and how much do you project will be required for annual continuance costs once the Mass Layoff project is fully implemented?

Answer. The FY 1988 budget includes a request for $5.2 million for the PMLPC program. When the program becomes fully operational with the participation of all States, we will negotiate with the States to determine the ongoing annual costs.

WHITE COLLAR PAY AND BENEFIT SURVEY

Question. In last year's Senate report, the Bureau of Labor Statistics was directed to use $2,062,000 to begin the planning, testing, and implementation of a National white-collar salary and benefit survey. What is the status of this effort?

Answer. The Bureau is planning a report on a national white-collar pay and benefit survey as requested by Congress. There are several issues that are being addressed in the planning process, such as, the method of occupational selection, industrial and geographical scope, measures of pay and benefit levels, and user needs, including data required in the Federal comparability process. The Bureau is contacting key user groups (e.g., Congress; the President's Pay Agent--the Secretary of Labor, and the Directors of the Office of Management and Budget, and the Office of Personnel Management; other Federal executive agencies; State and local governments; members of the business and labor communities; and academicians) to determine their needs for white-collar pay and benefit data. Details of the Bureau's plan along with an implementation schedule will be included in an August 1987 report requested by Congress.

Question. Have efforts to expand the Professional, Administrative, Technical and Clerical (PATC) survey been discontinued?

Answer. Resources requested for the PATC survey expansion (started in FY 1986 with funds from 11 Executive Branch agencies) were denied by Congress in the FY 1987 budget process. Instead, Congress directed the Bureau to use the requested resources to plan a survey of white-collar pay and benefits. This effort began in FY 1987.

The Bureau is also conducting its annual PATC survey covering for the first time private services establishments with 20 workers or more. This effort, drawing only on base-budget resources for the 1987 PATC survey program, combines the 1987 survey results with data from the 1986 expanded survey--private establishments excluding services--updated by an appropriate component of the Bureau's Employment Cost Index. This combined package will provide the President's Pay Agent with the broadest private-sector survey coverage used in the pay comparability process so far, without any expansion in the PATC survey resources. This base-budget 1987 effort does not provide the coverage that the PATC Expansion proposal provided: State and local governements were not included in the 1987 PATC survey.

MINIMUM WAGE

Question. How many workers in this country are paid no more than the Federal minimum wage of $3.35 per hour?

Answer. A recent Bureau of Labor Statistics study based on the Current Population Survey indicates that, of employees paid by the hour, 5.1 million workers are paid at or below the minimum of $3.35 an hour. Hourly rates below $3.35 are not necessarily in violation of the FLSA, since persons paid those rates may not be covered (or are exempt) from the Act.

Question. What would be the impact of raising the minimum wage, to, for example, $4.60 per hour?

Answer. For every 10 percent increase in the minimum wage, the best estimates suggest that between 100 and 200 thousand job opportunities would be lost. A $4.60 minimum wage would be a 37 percent increase and this could result in the loss of 370 to 740 thousand jobs.

Question. Do you intend to re-submit legislation from the last Congress for a youth subminimum wage?

Answer. The Administration still favors a lower minimum wage for youth.

Question. Would you oppose Congressional initiatives to raise the minimum wage?

Answer. We strongly oppose any increase in the minimum wage. We must be more concerned with developing minimum skills.

The Department of Labor has spent considerable time and energy looking at the evolving nature of the labor force and the implications for Government policy in areas such as education and vocational training. I am concerned that the skill gap which presently exists in our labor force will worsen significantly unless we begin to refocus the education of our youth and existing labor force.

WORKERS' COMPENSATION COMPUTER CONTRACT

Question. You are requesting $8.0 million in fiscal 1988 for computerization of the Federal Employees' Compensation Program. Yet you haven't been able to use the $8.0 million appropriated for this purpose last year, and are planning to divert these funds to cover Federal pay raise and retirement costs. Why shouldn't we wait until you come up with a more specific plan and cost estimate for computer acquisition before appropriating more funds?

Answer. Following the termination of the Level II contract, the Employment Standards Administration (ESA) has carefully evaluated the alternative strategies available for replacing the current (Level I) ADP system supporting the Federal Employees' Compensation Act (FECA) program and other ESA regional data processing needs. In accordance with recommendations of a high-level steering committee, ESA has developed a plan to replace the current (obsolete) IV Phase hardware, convert the existing Level I software, and then proceed on a phased basis to develop and implement enhanced capabilities to the extent they can be cost/benefit justified. This project was selected for review by the Deputy Director, Office of Management and Budget (OMB), as one of a small number of Governmentwide ADP initiatives.

The existing IV Phase hardware in the thirteen FECA district offices is approximately ten years old, undersized, and not upgradable. GSA has formally declared it to be obsolete. Replacement of this equipment without further delay is essential to continued effective operation of the FECA program, and to reliable support for Wage Hour and OFCCP automated systems in the field. The FECA Data System Enhancement Plan calls for issuance of a Request for Proposals for new hardware in early FY 1988, with acquisition and installation of the equipment to occur in FY 1988 and early FY 1989. Accordingly, funding authorization for this effort has been requested on a two year basis (FY 1988-1989).

The Department of Labor has provided periodic reports to the Committee on its efforts to enhance its automated support systems for the past three years. We will continue to keep the Committee informed in this fashion.

DAVIS-BACON ACT

Question. You are requesting an increase of 12 staff and $244,000 to increase the number of Davis-Bacon wage surveys. Why are the additional resources needed?

Answer. These new staff will enable the Wage and Hour Division to (1) complete more survey contacts, (2) provide for higher establishment response rates on completed surveys and (3) provide for more indepth final review and analysis for accuracy prior to closing out the survey. The additional positions will enable the Department to make more wage surveys each year which will result in more current surveys that more accurately reflect locally prevailing wages.

Ten of the twelve requested staff will be stationed in the Wage-Hour Regional Offices (RO) to plan, conduct, and coordinate Davis-Bacon surveys. The remaining two staff will be assigned to the National Office to assist in the review and analysis of the increased number of RO surveys and the resulting issuance of wage determinations.

Question. What are the specifics of your legislative proposals to raise the thresholds in the Davis-Bacon and Service Contract Acts?

Answer. The President, in his Budget Message to the Congress, stated the Administration would propose legislation to increase the coverage thresholds for both laws to $1 million for Department of Defense contracts and $100,000 for contracts of all other agencies. Appropriate legislative specifications are being drafted.

IMMIGRATION

Question. The Immigration Reform and Control Act (IRCA) of 1986 authorizes supplemental appropriations to the Department of Labor for enforcement activities of the Wage and Hour Division and Office of Federal Contract Compliance Programs to deter employment of illegal aliens and remove the economic incentive for employer exploitation of such workers. To what extent will Labor participate with the Immigration and Naturalization Service (INS) staff in enforcing sanctions on employers who hire illegal aliens?

Answer. Based on an analysis of the IRCA´s requirements and discussions within the Department and with the INS, the role of the Employment Standards Administration (ESA) includes assisting the INS in their efforts to inform/educate employers and other interested groups of their responsibilities under the employer sanctions provisions of the IRCA and, more importantly, to investigate employer compliance with the recordkeeping requirements of the statute. ESA has this role because it has--in both its Wage and Hour (WH) and Office of Federal Contract Compliance Programs (OFCCP)--a large contingent of geographically dispersed and experienced investigative staff in regular contact with private and public sector employers and employee groups for the purpose of enforcing labor standards laws. Under IRCA, these WH and OFCCP staff would take on new, additional investigative responsibilities. This would involve adding a review of employer sanctions recordkeeping compliance to regularly scheduled WH/OFCCP compliance actions. This process would involve coordinating with INS on investigative activity, requesting and obtaining (all or a sample of) employers´ employment eligibility verification records, reviewing these records to ensure that they exist and are properly completed and maintained, "closing out" with the employer, and reporting to INS on our investigative activity and findings.

COMPLAINT BACKLOG

Question. I understand that the Employment Standards Administration´s (ESA) Wage and Hour Division has seen a steady decline in the number of staff positions since 1979. How much of a wage complaint backlog is there?

Answer. As of February 1987, the Wage and Hour Division had a complaint inventory of 24,288 in all programs, down from 25,773 at the end of FY 1986.

Question. Are you confident that your staffing requests will be sufficient to eliminate the unaddressed backlog of complaints?

Answer. We believe that the current compliance officer allocation, unchanged since FY 1982, is sufficient to handle complaints on a timely basis. The complaint inventory in all programs has declined from a high of 28,251 in FY 1985, to 25,773 at the end of FY 1986, to the current 24,288. Based on the current rate of complaint inflow and anticipated rates of resolution of these complaints, we expect the inventory to decrease to 22,500 by the end of this fiscal year, and to 19,200 by the end of FY 1988. However, the budget request does not reflect any additional workload which might result from implementation of the Immigration Reform and Control Act of 1986, and which could affect both the rate of complaint inflow and resolution.

Question. Why do you find it necessary to cut 50 Federal staff and possibly force layoffs of some management employees?

Answer. It is true that we anticipate the full-time equivalent (FTE) employment level will be reduced by 50 (from 910 to 860). This reduction will be accomplished by eliminating administrative overhead and program administration positions in the OFCCP National Office and the regions. Simply stated, we feel that the program has too many FTE allocated to overhead positions. Among all agency programs, OFCCP had the highest overhead ratio.

Reductions will be through attrition and reassignment, although some money has been requested to accommodate costs associated with a reduction-in-force, including additional permanent change of station (PCS) moves, should this be required.

Question. When will a new Director be named?

Answer. I am aware of the critical responsibility that this position holds and am actively searching for a new Director. I plan to fill this position as quickly as possible.

FEDERAL STAFF LAYOFFS

Question. Your budget proposes selective layoffs in the Office of Federal Contract Compliance and the Wage and Hour Division, within the Employment Standards Administration. Why are these reductions-in-force necessary?

Answer. A reduction-in-force may be necessary to insure that the proposed 100 full-time equivalent (FTE) staff year reduction occurs in the administrative overhead and program administration positions. To the extent possible, the reduction will be handled through attrition. However, attrition is historically much more prevalent in the lower grade clerical and line positions than the higher level overhead area. Therefore, funding is requested in the event that reductions-in-force are necessary.

COMMITMENT TO FEDERAL CONTRACT COMPLIANCE

Question. The Director of the Office of Federal Contract Compliance Programs recently resigned, apparently in protest over Administration policy and budget priorities. Has there been a change in recent months in the Labor Department's commitment to affirmative action in Federal contract compliance?

Answer. Commitment to the missions of ensuring equal employment opportunity and affirmative action by Federal contractors and to increasing job opportunities for the protected classes remains a high priority within the Department of Labor.

The Office of Federal Contract Compliance Programs (OFCCP) administers Executive Order 11246, as amended, the affirmative action provisions of the Rehabilitation Act of 1973, as amended, and similar provisions of the Vietnam Era Veterans' Readjustment Assistance Act of 1974 (38 U.S.C. 2012). The basic enforcement tools continue to be the compliance review of contractor establishments and complaint investigations. Recently, changes were made in the compliance review management information system to produce monthly "alert" reports for reviews over 240 days old. There is no backlog of open complaint cases at this time.

Presently, the Federal Contract Compliance Manual is being revised and a training session has just been completed for all OFCCP directors/supervisors on employment discrimination. Additionally, a schedule of training for fiscal years 1987 and 1988 has been developed to increase the level of professionalism of all OFCCP staff. We will continue to enforce the Exective Order and its implementing rules and regulations.

Question. Are goals and timetables still being utilized?

Answer. The regulations at 60-2.12 require Federal contractors to develop goals that are attainable in terms of the contractor's analysis of its deficiencies and its entire affirmative action program. OFCCP has always stressed that these goals may not be rigid nor inflexible but must be targets reasonably attainable by means of applying every good-faith effort to make all aspects of the entire affirmative action program work.

In evaluating the contractor's goal performance, OFCCP assesses the degree to which the contractor has fulfilled its commitment to exercise good-faith effort.

LARGE DEFICIT OF THE PENSION BENEFIT GUARANTY CORPORATION

Question. The Pension Benefit Guaranty Corporation is facing a mounting deficit, with assets billions of dollars short of its benefit obligations.

Unless corrective action is taken, how long will it be before the Corporation will be unable to pay mandatory retirement benefits?

Answer. The PBGC has two funds. The trust fund and the revolving fund. The revolving fund provides premium income to pay for unfunded guaranteed benefits. The fund will be depleted by FY 1989. At that time, if no corrective action is taken, the primary source of funds to pay benefits will be the trust fund. The trust fund contains assets from pension funds trusteed by the PBGC.

We estimate that if terminated plans continue to be funded at 40 percent of guaranteed benefits and that the percentage of plan participants in newly terminated plans in pay status remains constant, the trust funds will be depleted in fiscal year 2003. If the plans that we take over have lower levels of funding or a high percentage of participants already in pay status, the trust funds will be depleted at an earlier date.

Question. What legislative action are you recommending to stem the tide of underfunded pension plan terminations?

Answer. The Administration has proposed changes that will strengthen ERISA's minimum funding standards to assure that defined benefit plans will be sufficiently funded to provide participants their full accrued benefits. The Administration is also developing a legislative proposal for a variable rate premium. Under this proposal, underfunded pension plans would pay a higher premium charge based on the plans funded status.

Question. What large corporate pension plans are looming as possible candidates to add to the deficit of the Pension Benefit Guaranty Corporation?

Answer. There are several industries such as steel, auto and rubber, which are experiencing financial difficulties and in which there are significant unfunded pension liabilities. However, I can not predict with any certainty which plans in those industries or others might terminate in the near future.

Question. What would happen if you faced another pension plan termination of the magnitude of LTV?

Answer. During fiscal year 1988 if the PBGC faced another pension plan termination of the magnitude of LTV, the projected fiscal year 1988 deficit of $4,216,000,000 would increase to about $7,200,000,000. Annual benefit payments would increase by some $348,000,000.

TERMINATION CASE BACKLOG

Question. The budget justification for the Pension Benefit Guarantee Corporation talks about a 3-year backlog in processing insufficient termination cases.

How much will this backlog be reduced by the end of Fiscal 1988.

Answer. By the end of fiscal year 1987, we estimate a termination case inventory of 323 plans. By the end of fiscal year 1988, we estimate the insufficient case inventory to be 273 plans. This compares to a desired work in progress inventory of 100 to 150 plans.

Question. What additional funding would be necessary to eliminate this backlog?

Answer. The Corporation's budget for FY 1987 includes $1,710,000 in actuarial services contracting to enable the inventory of insufficient termination cases to be reduced by 50 cases. The FY 1988 budget continues at that level for backlog reduction.

ERISA DATA SYSTEM

Question. Your budget calls for a $12,500,000 increase for the automation of the Employee Retirement Income Security Act (ERISA) information system. Explain what you expect to achieve with this automated system. Why are you asking for bill language to give you a full two years to obligate these funds?

Answer. The primary impetus for developing an automated information system is the rapid expansion in the size and number of pension plans since the passage of ERISA. This has significantly increased the scope of PWBA's enforcement responsibilities. Because the number of plans has nearly doubled and their assets tripled since 1980, and are expected to continue increasing PWBA must seek to use modern information technology in order to most effectively use our personnel. A comprehensive automated information system is the only practical way to select from a universe of nearly one million reporting plans those that show indications of abuse and require remedial action. The availability of data will also function as a major deterrent to abuse, increasing the protection of pension plan beneficiaries.

The other major use of automated data will be for policy analysis and research. Because of the increasing importance of pension funds within the American economy, we must have current data available to effectively formulate and evaluate pension policy. Currently, there is no reliable source of up to date information on pension plan activities. The database will provide the basis for this, which will be useful not only to PWBA but to many other Government agencies as well.

Collection and automation of ERISA data is necessarily a process which involves several Federal agencies because of the division of jurisdiction which the statute prescribes. The IRS, PWBA and PBGC have important data needs and we would like to develop a system which accommodates as much as possible the overall needs of the Federal Government as well as other potential users. This makes the timing of implementation somewhat more problematic. While we are confident at this point that we will be ready to initiate operation in 1988, we felt it prudent to request extended availability of funds so that if there were any delay in implementing a system the timing of fund availability would not be an issue.

PORTABLE PENSIONS

Question. It has been suggested that Legislation be enacted to allow workers to transfer pension credit from employer to employer. What studies are being undertaken to examine the idea of making pensions "Portable"?

Answer. The Department is currently developing two research projects on the subject of pension portability. One of these studies will examine the extent to which workers' pension benefits are lower because of job changes involving losses in accrued pension benefits. The second will use the estimates of benefit losses to estimate the potential cost to employers of providing equivalent levels of pension portability.

WORK AND FAMILY LIFE

Question. I understand the Labor Department is sponsoring a major conference on "Work and Family Life"?

Answer. The March 30-31 conference on Work and Family is being sponsored by the U.S. Department of Labor in close cooperation with AFL-CIO and the National Association of Manufacturers, and with assistance from a number of other prominent national organizations, including the National Alliance of Business, the U.S. Conference of Mayors, and the National Council on Family Relations.

Question. What expertise does the Labor Department have with respect to families?

Answer. The Labor Department has considerable expertise on the conference topic, which is not so much families per se but the relationship between work and family life, and particularly the manner by which various employment conditions (e.g., working hours and schedules) exacerbate or reduce conflicts between the two.

Question. What are the objectives of this conference?

Answer. The objectives of the conference are: (1) to clarify the origins and the social and economic consequences of conflicting employment and family responsibilities, (2) to illustrate the kinds of employment policies and practices which have served to achieve a more harmonious work-family relationship, and (3) to encourage and assist employers, unions and other organizations to adopt more flexible and more salutary employment practices.

Question. What will it cost?

Answer. The Department has engaged, at a cost of $8,400 the services of a conference coordinator to handle all of the conference's administrative arrangements, including the collection of registration fees and dealings with the hotel and other vendors.

ASSISTANT SECRETARY VACANCY

Question. When do you expect the Administration to nominate a new Head of the Mine Safety and Health Administration?

Answer. We recognize the importance of filling this position, as well as all executive positions within the Department as quickly as possible with qualified individuals. We are working with the White House to ensure a Presidential nomination as expeditiously as possible.

MINE SAFETY INSPECTORS

Question. In a letter dated February 12, 1987, Secretary Brock reported to this Committee on the Mine Safety and Health Administration's progress in selecting candidates to fill inspectorate vacancies.

How many of the additional 90 inspectors approved by Congress have actually been filled to date?

Answer. Since the beginning of the fiscal year, MSHA has increased the inspector work force by 161, 88 of which are on board. The remaining 73 have been selected, and will be hired upon satisfactory completion of their medical examinations.

Question. When do you anticipate hiring all 90 of the additional inspectors added to last year's budget request level?

Answer. MSHA expects to make the remaining selections by the end of March. Allowing one month for physical exams, all inspectors should be on board by the end of April.

CUT IN MINE SAFETY STAFF

Question. Last year, you agreed to fill 90 additional inspector positions in the Mine Safety and Health Administration?

What is the rationale for your fiscal 1988 budget request to eliminate 100 "non-inspector" Coal Mine Safety and Health positions?

Answer. Coal Mine Safety and Health has reviewed its operations, and has determined that through field office reorganization and the consolidation of activities by rearranging the workload for inspectors, it can eliminate 75 specialized support positions and 25 administrative/clerical positions.

Question. Exactly what type of activities will be cut?

Answer. The elimination of these positions will not have an impact on our ability to conduct projected inspection activities in FY 1988. Increased efficiencies in such areas as field organizational structure, employee assignment, automation of management systems, and the utilization of enforcement techniques such as stretch inspections will allow Coal to maintain the inspector work force while reducing other positions.

ACCURACY OF EMPLOYER HEALTH AND SAFETY RECORDS

Question. I have received complaints as I know other members have from business regarding the number and frequency of Occupational Safety and Health Administration inspections. The number of these inspections is based on injury and illness data that many have argued is badly flawed. Improving this data not only will make OSHA's job easier but will remove a burden from business with regard to having unnecessarily frequent inspections. In January I asked the GAO to look into the accuracy of this data. What effort is the Department of Labor undertaking to verify the accuracy of employers injury and illness reports?

Answer. After several inspections in which OSHA cited employers for willfully violating recordkeeping regulations, the agency became concerned about a potential for significant recordkeeping errors and subsequent faulty data. Although to date OSHA has no evidence of widespread national underreporting, nevertheless, these few cases are cause for concern and the Department has taken several steps to determine the extent of the problem.

First, OSHA is conducting a detailed examination of the injury logs of 200 establishments, chosen at random in two states, in order to determine the quality of employer recordkeeping and the degree of compliance with agency regulations. This study should give the agency a reasonably accurate picture of how widespread recordkeeping problems are. Results of the study are expected later this year. In addition, the most recent instructions to OSHA compliance officers require greater scrutiny of employer logs on each OSHA enforcement visit. And finally, the Department has requested the National Academy of Sciences to conduct a comprehensive examination of the entire recordkeeping system. Results of that study are expected later this year.

Taken together, these newly-initiated actions should serve to verify both the accuracy of the current system and suggest ways of collecting even better data about the nature of occupational injuries and illnesses in the country.

SHIFT FROM SAFETY TO HEALTH INSPECTIONS

Question. Your budget proposes financing an increase in OSHA inspections of health hazards in the workplace by cutting back on the level of safety inspections. What is the rationale for deemphasizing safety inspections?

Answer. OSHA's increased health emphasis reflects a directed increase in the number of inspections targeted to the abatement of workplace health hazards. Accomplishing this objective requires a redirection of staff resources from safety to health as vacancies occur. Though this will result in a decrease in the number of safety inspections, it would be misleading to suggest that it reflects a deemphasis on safety inspections. OSHA still expects to maintain a strong emphasis on safety issues. The agency will continue to dedicate resources to construction-related activities, provide comprehensive approaches to safety inspections in high-hazard industries, devote greater attention to employer injury and illness recordkeeping, and assure compliance with the Hazard Communication standard.

Question. Which industries would be targeted for the additional health inspections?

Answer. OSHA's increased emphasis on health and the increased number of health inspections involves a deeper penetration into those industries with the greatest potential for serious health hazards. This potential will be evidenced by the severity of violations of OSHA health standards that have been revealed in past OSHA inspections within that industry. Once identified, such industry categories will be targeted for additional programmed inspections.

Question. How much more would it cost to maintain the current level of safety inspections in fiscal 1988?

Answer. There would be no increase in cost, however, we would be forced to abandon the Agency's objective of providing an increased emphasis on health inspections. The current estimates for safety and health inspections reflect our plans to shift existing staff resources from safety to health activities as vacancies occur.

MIGRANT WORKER FIELD SANITATION

Question. About a year and a half ago, Secretary Brock said he would give the States 18 months to come up with adequate field sanitation standards for migrant farmworkers, or else a Federal standard would be promulgated. What progress have the States made to improve sanitation standards for migrant laborers?

Answer. In October 1985, at the time the Secretary made his announcement, 12 states had enforceable standards of some sort. Since that time, 10 states have adopted field sanitation standards. Additionally, another 11 states and Puerto Rico are in the process of developing standards. Only 14 of the 22 state standards meet the minimum guidelines issued in October 1985.

Question. Do you think the time has now arrived for a Federal OSHA standard to protect farmworkers' health?

Answer. On March 9 a preliminary decision was issued that a Federal field sanitation standard would be issued, perhaps as early as April 21. The preliminary decision is based on an insufficient number of states responding to the request in October 1985 that states adopt effective field sanitation regulations. To complete our evaluation of states' action, a Federal Register notice was published on March 11 reopening the record on field sanitation and allowing a 20-day public comment period.

Question. How do you intend to respond to the Federal Appeals Court Decision which appears to require issuance of Federal standards?

Answer. Concurrent with the announcement that a field sanitation standard would be issued, a petition was filed with the U.S. Court of Appeals for a rehearing on the case of Farmworker Justice Fund v. Brock. The petition, which will not delay the preliminary decision to issue a standard, is based on the Secretary's strong conviction that the Court's decision is an intrusion on executive authority and establishes a dangerous precedent for Court review of future agency actions.

OSHA SPECIAL EMPHASIS PROGRAM

Question. Because of an increase in the number of accidents in chemical manufacturing facilities, the Occupational Safety and Health Administration initiated a special emphasis program on inspections in the chemical industry that increased the number of inspections and reviews of physical plants, safety systems, and recordkeeping systems. What are the major findings of the special emphasis program?

Answer. In the report the Department supplied to the Committee, OSHA indicated that in general the chemical industry received high marks for its efforts to comply with federal safety and health requirements. Nevertheless, traditional inspections and existing regulations may not be adequate to prevent accidental chemical releases.

The report recommended that, for the long-term OSHA should:

-- Consider developing a standard requiring that industry conduct system-wide safety and health audits, with OSHA spotcheck inspections for verification.

-- Make available more chemical engineering expertise for spotcheck inspections by the agency and for consultation.

For the short-term, it said OSHA should:

-- Integrate the special emphasis inspection techniques into chemical industry inspections on a limited scale, focusing on those establishments in which potential may exist for a catastrophic chemical release.

-- Begin to use the skills and techniques learned from the special emphasis program to make in-depth inspections that involve an assessment of a company's safety and health management, not only in the chemical industry, but also in other workplaces where hazardous chemicals are used, stored or handled.

-- Encourage voluntary compliance with the best industry standards, through training, education, and dissemination of information.

For the long-term, the study indicated that existing staff resources could accommodate consideration of the employer self-audits. Policy implementation also could occur within the existing framework of instruction, directives, training materials and courses, and documentation.

Short-term recommendations have begun to be implemented. Training is already underway and more than 200 compliance officers are expected to attend the agency's chemical industry course by the end of the year.

Question. What effect has this program had on the accident rate in the chemical industry?

Answer. Because the special chemical industry program emphasized prevention of catastrophic or disastrous events, we are unable to draw direct conclusions whether or not accident rates in the industry declined as a result. However, the report did cite evidence of a "ripple effect", where even uninspected firms were aware of OSHA's special program, and voluntarily took steps to review their own accident prevention procedures.

Question. Have other industries been targeted to receive similar scrutiny as the chemical industry?

Answer. As a result of this program, OSHA expects to implement the same intensive procedures in industries outside the chemical industry, especially where chemicals are used in large volumes or potential for disastrous or catastrophic accidents is present. The agency expects to integrate the knowledge gained from this program into its regularly scheduled health inspections beginning in FY 1988.

CALIFORNIA OSHA PLAN

Question. I understand that Governor Deukmejian of California has recently proposed to terminate that state's plan for occupational safety and health and allow the Federal Occupational Safety and Health Administration to assume all inspections within the state. If this proposal goes through, how much would have to be added to your fiscal 1988 budget request?

Answer. The status of the California State plan and the various options open to OSHA in providing direct Federal coverage in California should that plan be withdrawn is currently under consideration by the Administration. At this point in the discussions, it is somewhat premature to delineate the exact parameters and resource requirements needed to assume Federal enforcement responsibility in California. Such information will be provided as soon as final decisions have been made.

Question. What would be the impact on the quality and quantity of safety and health inspections if Federal OSHA took over in California?

Answer. We are continuing to assess various operating strategies available to us in assuming Federal responsibility for safety and health enforcement in California. While there may be some initial programmatic and logistical difficulties in the implementation of Federal coverage, we do not expect this to significantly affect the overall Federal enforcement effort in California. As the initial phase-in period is completed, coverage in California will be as effective and comprehensive as it is in the rest of the country.

Question. Do you know of other states that are considering allowing the Occupational Safety and Health Administration to assume its oversight role for occupational safety and health?

Answer. We have received no real indication that any of the other existing OSHA plan states is considering withdrawing its plan. However, over the years, many states have had to withstand efforts to eliminate their OSHA state plans for a variety of reasons. Funding for state plans annually faces close scrutiny from state legislatures. Additionally, some states must deal with complications from the presence of state sunset legislation requiring a rejustification of the program.

CUT IN VETERANS STAFF

Question. You are proposing a cut of $7,512,000 to eliminate 195 Local Veterans' Employment Representatives (LVERs). How did you arrive at the specific recommendation to cut 195 of the 1,534 Local Veterans' Employment Representatives?

Answer. I believe that 1,339 Local Veterans' Employment Representatives (LVERs) -- a cut of 195 of the 1,534 LVERs -- can effectively execute the program, since the major responsibility of the LVER is to act as the local office functional supervisor of services to veterans. Where the State agencies are meeting their quantitative performance standards and there is a low veteran unemployment rate, the need for supervision provided by LVERs is reduced. In no case, however, will LVER positions be eliminated completely due to this management initiative.

The recommendation to cut 195 LVER positions can be achieved by reducing full-time LVER positions to part-time where there is a demonstrated lack of need. I believe that by redirecting and reprioritizing the LVER work activities we can achieve the 195 position reduction without impacting negatively on priority or quality of services to our Nation's veterans.

Question. Is there anything different in this year's proposal from the one rejected by Congress last year?

Answer. The same process as described above was used in the FY 1987 budget request.

DISPLACED HOMEMAKERS

Question. How much is being requested for the Displaced Homemakers Network in the fiscal 1988 Women's Bureau budget request?

Answer. The Women's Bureau FY 1988 budget request for the Displaced Homemakers Network is $250,000.

Question. How much was obligated in fiscal 1986 and planned for fiscal 1987 for the Displaced Homemakers Network?

Answer. The FY 1986 grant of $240,000 was increased in FY 1987, when $250,000 was allocated for the current program.

Question. What progress has been made to avoid contracting with the Displaced Homemakers Network until late in the fiscal year?

Answer. It is agreed that the new contract will be negotiated and completed by the end of the third quarter of the fiscal year. The Women's Bureau and Displaced Homemakers Network have had meetings since January on the content of the new proposal.

BLACK LUNG ADJUDICATION

Question. Last year Congress added $1.5 million for adjudication of Black Lung claims. What progress has been made to reduce backlogs in this program?

Answer. The Office of Administrative Law Judges (OALJ) has an agreement with the NLRB to have their judges hear black lung cases and be reimbursed. Other sources of temporary ALJ help are also being explored. As these judges dispose of cases, the backlog will be reduced.

Question. What's the rationale for not requesting continuation of the additional Administrative Law Judges in fiscal year 1988?

Answer. In September 1985, the Department of Labor committed to reduce the black lung case backlog to 1.3 years at the end of a four-year period. This commitment was discussed with and approved by both Congressional and OMB staff. The Department of Labor is on target to meet the task force's recommendations.

Question. Could the backlog be eliminated if these funds were retained one more year?

Answer. Under the Administration's proposal, the backog will be reduced by 85% between the start of FY 1987 and the end of FY 1988 and eliminated in FY 1989.

WOMEN IN THE HIGHWAY INDUSTRY

Question. Your budget justification indicates that in fiscal 1986 the Women's Bureau implemented a joint project to identify the most effective techniques for increasing the employment of women in the highway industry. To what extent has this project increased employment of women by the States and highway contractors?

Answer. The project is still in the development stage. Although funds were obligated at the end of fiscal year 1986, several contract details remain to be finalized by the lead agency, the Federal Highway Administration. The implementation of the project calls for two phases--(1) a research study to include strategies and techniques, and (2) a pilot program to recruit, train, and place women in the jobs. The second phase will be designed based on findings of the research study. In all likelihood, much more time will be needed before we can measure the increase in the number of women in highway-related jobs.

DRUGS IN THE WORKPLACE

Question. The Fiscal 1987 Continuing Resolution provided funding for a Labor Department study of drugs in the workplace. What is the status of this study, and when do you expect it to be completed?

Answer. We are planning to conduct some limited studies on the extent of substance abuse in the workplace and its impact on worker safety and health and productivity. These studies are expected to be in the field by the end of the year and we are currently working with Congressional leaders to determine the nature, size, and scope of the studies. We will also identify successful Employee Assistance Programs for emulation.

BLACK LUNG CLAIMS PROCESSING

Question. Mr. Secretary, as you know, I have an ongoing concern with regard to backlog of Black Lung Claims. We have spoken of these backlogs on a number of occasions, and you have been very cooperative in trying to turn that program around to eliminate those backlogs.

I note that your budget justification only lists 9,350 dispositions in FY 1987. Yet, last year, I offered an amendment on the Senate floor to provide an additional $1.5 million to the Office of Administrative Law Judges for 8 additional Administrative Law Judges and support personnel to bring the number of claims disposed of at the hearing level to 10,500 in FY 1987.

Let me point out that I well understand that due to the lateness of the Appropriation Bill being enacted, startup time involved, and clearance by the Office of Management and Budget that there could be slippage. However, I have been told, informally, that you will dispose of at least 10,000 of those cases at the hearing level this fiscal year.

Are you going to meet that target?

Answer. Until our current explorations produce additional temporary ALJ help, the estimate of 9,350 dispositions in FY 1987 remains the most realistic number at this time. We will continue to exert our best efforts to assure that the added resources are used in the most effective and efficient way and to increase the number of dispositions.

IMPACT OF FREEZE

Question. What would be the impact on the Labor Department if Congress were to "freeze" fiscal 1988 appropriations at the fiscal 1987 levels?

Answer. Freezing the fiscal 1988 appropriation at the fiscal 1987 level, even assuming the freeze would apply only to discretionary programs would place a considerable financial strain on the Department and seriously jeopardize our ability to carry out our statutory responsibilities under the various laws we administer. Initially, the freeze would affect our internal staff and operations. Later on, those segments of the American laborforce served by our regulatory and assistance programs could be adversely affected by reductions we would have to make in all our program areas.

In responding to the freeze, the Department would first have to defer or cancel program enhancements requested for fiscal year 1988. These increases represent an important step in the Department's continuing effort to improve the quality of services we provide. They include:

--$750 million for a new worker adjustment employment and training program.

--$50 million for expanding the summer employment program into a new AFDC youth program.

--$13.6 million to support the development of an ERISA electronic data base system.

--$2 million for new and replacement lab and inspector equipment for OSHA.

--3 FTE in support of the Bureau of Labor-Management Relations and Cooperative Programs' Industrial Adjustment Service Activity and special projects.

--$2 million to improve BLS productivity in its data collection and analyses.

--$1 million to prepare for a single DOL data network.

--5 FTE for the Assistant Secretary for Policy to enhance the DOL policy process.

--6 FTE for International Labor Affairs for increased workload in trade areas and activity related to ILO.

In addition, the Department would have to absorb approximately $87.4 million in mandatory increases associated with higher personnel costs, and inflationary increases in non-personnel areas such as travel, rent and utilities, supplies, and equipment.

When confronted with budget reductions such as this, our policy is always to cut from the non-personnel areas first. Reductions in force are always considered to be an action of last resort. However, because the Department has experienced sizeable budget reductions in the recent past, I doubt in this case that we would have any other alternative except to reduce our employment and level of services. Ultimately, the impact would be felt by those who depend on the Department for employment and training services, benefit payments, statistical programs, and enforcement of the many worker protection laws we administer.

MANAGEMENT GOALS

Question. What accomplishments have given you the greatest satisfaction?

Answer. There are many. First of all, we have made great strides in the area of improved Departmental Management. The Job Training Partnership Act is continuing to exceed our expectations. Particularly important to me is the fact that we have added amendments to the JTPA strengthening its role in improving literacy skills of enrollees. ERISA enforcement strategy has been improved. Our outreach program in promoting improved cooperation in the area of labor-management relations is taking hold. I also feel that we have made progress in the enforcement areas of both OSHA and MSHA. We have launched the Work Force 2000 project, which will help to strengthen the skills and qualifications of American workers and their ability to meet worldwide competition in the year ahead. We have also put forward a new worker adjustment assistance program to provide swift aid in matching displaced workers with new jobs. This will be an integrated program of counseling, job search assistance, basic education and literacy and job skill training. I'm quite proud of the progress we have made in all of these areas.

Question. What would you say are the biggest remaining management deficiencies in the Labor Department, that you hope to address in the next year?

Answer. I firmly believe that we've eliminated the deficiencies in Departmental management, particularly those cited in the General Accounting Office report. We have adopted a new management system and policy process which has improved the delivery of services to American workers. We have expedited the rulemaking process by establishing a system for prioritizing regulations, developing a quick turnaround procedure for the most routine regulations, and begun tracking regulations being developed. This doesn't mean we can't continue to improve in these areas, but I think we've come a long way.

Question. What more needs to be done at Labor to fully implement GAO's recommendation and how will you sustain this effort over the next two years?

Answer. We will continue to make implementation of GAO's recommendations a high priority by using the system we have established for setting goals and tracking progress. Through our quarterly reporting and managment review process, we are regularly monitoring progress, and providing feedback and direction to our component agencies.

Question. What can be done to institutionalize the good things you have already done at Labor to ensure that they remain in place when you leave office?

Answer. We have purposefully designed our management system so that it can be adapted to the needs of future administrations. Our managers, both in the National office and in the field, believe that the system works and that it should be continued in future years.

Question. How are agency officials being held accountable for implementing management improvements?

Answer. Milestones which describe the actions to be taken to achieve management improvements, and set a date for their completion, are submitted annually for Secretarial approval. Quarterly reports are submitted by agency heads which indicate the status of each milestone. As part of the quarterly review process, the Deputy Secretary reviews the reports and provides feedback to agency heads in assessing progress, identifying future actions to be taken, and making mid-course adjustments when necessary.

Question. How much have you been able to reduce total staffing at the Labor Department over the last 5 years?

Answer. Total staffing for the Department of Labor declined by 3,705 between September FY 1981 and September FY 1986.

CREATION OF DEPUTY SECRETARY JOB TITLE

Question: During the last session of Congress, legislation was enacted changing the position of Under Secretary to Deputy

Secretary, and upgrading several other top management positions. What is the significance of this change in top-level job titles?

Answer: Over the last few decades, the scope and complexity of the Department's activities have grown enormously. Today, the executive staff of the Department is entrusted with the responsibility of carrying out programs of major significance to the welfare of the Nation. The legislation enacted serves to ensure that the major areas of the Department are managed by appropriate level Presidential appointees who are confirmed by the Senate as is the case throughout the Executive Branch.

Question: How many employees got salary raises as the result of this legislation?

Answer: Two employees received salary increases at a total cost of approximately $5100 in fiscal year 1987.

ENFORCEMENT ACTIVITIES

Question. Have you done any studies on the feasibility of consolidating some or all of the enforcement groups?

Answer. We looked very closely at the Department's organization after I got here. One of the first things we did actually goes the other way. That is, we found it to be very important to separate out the ERISA programs in order to give them the attention they deserve. And, these programs require significantly different skills from DOL's other enforcement responsibilities.

At the same time, there are some consolidations that make sense. Thus, the Immigrantion Reform Act responsibilities that were added last year have been consolidated in with the other enforcement work done by the Wage and Hour Division.

In short, the enforcement programs of the Department are extremely varied. While some consolidations have been made, there do not seem to be any more left to be done that would gain much and they might cause other problems that would more than offset any gain.

Question. Do your enforcement policies and procedures for assessing penalties and collecting fines for violations provide sufficient incentives for compliance?

Answer. We have looked carefully at both the penalty assessment and collection policies and procedures. The Debt Collection Act has helped us improve on collections and thus increase the compliance incentives. We have also worked to assure that the penalty assessment procedures in agencies such as OSHA and MSHA are more consistent and equitable.

The sufficiency of the incentives is another question and one we have not directly addressed. An example of the sufficiency question arose recently with regard to the accurate reporting and recordkeeping on workplace injuries. Some firms just have not been doing a good job in this area. As a result, we have proposed some very large penalties in a few cases. We expect that penalties of this size should result in much greater compliance in the future. Thus, it is likely that the problem was not so much that the statutes did not provide sufficient incentives as it was that since penalties of this magnitude had not been imposed for such violations in the past, that the incentives were not working correctly.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

TRAINING FOR DISLOCATED WORKERS

Question. Mr. Secretary, another issue of concern to me is the difficulty West Virginia is experiencing in obtaining monies for retraining workers that have been certified under the Trade Adjustment Assistance Act. Since October, West Virginia has requested $2,485,061 in training monies. each request for funding that has been approved by the Department has been a substantially lesser amount than requested. For example, in December, West Virginia requested $575,000 in training monies. The Department only released $139,000. It is my understanding that none of the applications are being fully funded. Why?

Answer. Because of increased State requests for training funds, beginning in Fiscal Year (FY) 1986, a large portion of FY 1987 TAA program funds was allocated to States in the first quarter. Beginning in December, all State requests for the costs of job search and relocation were fully funded, while requests for the costs of training were funded at a level lower than the request. The Department will follow this practice until all training funds are exhausted. Funds have been reserved to satisfy State requests for the costs of job search and relocation services through the end of the fiscal year.

West Virginia and other States are being encouraged to use available funds under the dislocated worker program in Title III of the Job Training Partnership Act as another resource to train workers adversely affected because of increased imports.

On July 1, 1987, an additional $200 million in Title III resources will become available. These additional resources assure that training needs of TAA-certified workers can be met.

Question. The State [West Virginia] advises that it has 420 workers receiving training--they have over 100 workers that they have no money for and with another 1000 workers from USX certified, they can expect, at the very least, another 200 applications for retraining.

Mr. Secretary, I sent you a letter on February 13, which addressed the above problem, as well as addressed the application that the State has filed under Title III of the Job Training Partnership Act (Dislocated Worker Assistance) for $1.3 million from the Discretionary Fund. West Virginia is also experiencing a shortfall in the dislocated worker program and is in need of these monies to provide training to its workers.

West Virginia is not the only State that finds itself in this situation. Cheap imports have impacted on industries in many States.

When do you plan to act on West Virginia's request for assistance, and how do you plan to act with regard to the shortfall of funding--Do you plan to request reprogramming or a supplemental?

Answer. On February 26, an additional $158,700 of FY 1987 Trade Adjustment Assistance program funds were allocated to West Virginia. These new funds brought the level of TAA program funds allocated to West Virginia in FY 1987 to $757,275. The most recent West Virginia request is being processed.

On March 5, the West Virginia application for additional JTPA Title III funds to provide classroom vocational skill training, on-the-job training, counseling and placement services to dislocated coal miners in 6 southern counties was approved for $750,000.

The Department does not plan to request authorization to reprogram funds nor to request supplemental program funds for training this fiscal year. Such action is not necessary because training needs for TAA-certified workers can be met by States with some of the additional formula funds that become available under the JTPA Title III dislocated worker program on July 1, 1987.

Question. Would you detail, by State, the amount of money requested under the Trade Adjustment Assistance program, and the amount of funding released?

Answer. The amount of funds requested, and the amount of funds allocated by the Department are as follows:

State	Amount Requested	Amount Allocated
Arizona	$521,870	$345,230
Colorado	300,766	64,400
Florida	29,970	30,015
Georgia	769,650	484,380
Idaho	783,255	498,410
Illinois	6,650,300	2,967,460
Indiana	1,538,000	324,760
Iowa	690,575	320,275
Kansas	104,765	63,365
Louisiana	4,920,213	329,820
Maine	2,630,625	1,564,920
Maryland	418,025	418,025
Massachusetts	575,000	115,000
Minnesota	1,784,800	1,094,225
Mississippi	11,500	11,500
Missouri	1,178,750	718,750
Montana	80,702	55,635
N. Carolina	149,500	149,500
New Jersey	1,004,600	1,004,640
New York	4,065,825	3,697,825
Ohio	2,912,829	1,217,850
Oklahoma	295,550	265,420
Oregon	1,897,155	1,271,555
Pennsylvania	2,839,925	2,839,925
Puerto Rico	50,000	50,000

State	Amount Requested	Amount Allocated
Tennessee	19,550	19,550
Texas	2,550,000	683,100
Utah	1,894,970	668,840
Virginia	553,150	553,150
W. Virginia	1,897,500	757,275
Washington	3,151,000	1,654,275
Wisconsin	1,851,082	948,040
Totals	48,121,402	25,187,115

NEW WORKER RETRAINING PROGRAM

Question. Do you not find it inconsistent to, on one hand propose a larger worker retraining/assistance program in your FY 1988 budget for future workers, yet have no plans to address the immediate problems of worker retraining?

Answer. The effective date of the legislation, assuming timely enactment, is October 1 of this year so this is not something for future workers but for workers currently or soon to be displaced. Title III of JTPA is available to meet immediate needs until the new program is in effect. There currently is over $200 million in obligated but unexpended resources for assisting dislocated workers in Title III of JTPA. The Administration had requested resources be made available to continue the Title III program only until October 1, 1987, when the new program was proposed to begin. However, since the budget request was submitted, Congress has denied the rescission, meaning that Title III funding will be available for all of PY 1987 (July 1, 1987 - June 30, 1988). The additional $200 million in Title III resources available beginning July 1, 1987, will assure that worker retraining needs can be met while awaiting passage of the new worker readjustment program.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. INOUYE

FEDERAL CONTRACT COMPLIANCE

Question. Of the 5,152 compliance reviews carried out by the Office of Federal Contract Compliance Programs (OFCCP) in 1986, how much in back pay was awarded?

Answer. Back pay awards to victims of discrimination result from employer liability/violation found during both complaints investigated and compliance reviews conducted. During FY 1986, $1,911,145 in back pay agreements were awarded to 499 individuals.

Question. Is that amount considered high in light of the 5,152 reviews done?

Answer. There is no correlation between the amount of back pay awarded and the number of compliance reviews conducted or complaints investigated. Back pay awards to individuals are the direct result of violations detected during the conduct of compliance actions and are just one possible remedy reached through negotiation and compromise to restore victims of discrimination to their rightful place in the employer's workforce, correct the cause(s) of the discrimination and make these victims whole.

In addition to back pay, make-whole relief includes all benefits the victim would have received but for discrimination. Other benefits may include sick leave credits, vacation credits, front pay until the victim achieves his/her rightful place, restoration of seniority, contributions to retirement funds, retroactive payment to medical plans, training and tuition reimbursement and any other employment benefits denied the victims.

Question. How many enforcement cases were turned over to the Solicitor of Labor in 1986?

Answer. In FY 1986, 35 enforcement cases were referred to the Solicitor of Labor (SOL) for action.

Question. Is that considered high in light of the 5,152 compliance reviews carried out?

Answer. Again, there is no correlation between the number of enforcement recommendations to the Solicitor and the number of compliance actions completed. Rather, these referrals are based on OFCCP's and the employer's inability to successfully negotiate appropriate and satisfactory remedies for violations found. If the number of referrals to SOL in FY 1986 is compared to previous years, these referrals have declined somewhat. However, OFCCP sees this decline as evidence of the Equal Opportunity Specialists' improved proficiency and as positive results of our intensive training investment.

Question. How many affected class cases has the Department of Labor investigated in 1986?

Answer. During FY 1986, OFCCP completed 38 cases in which systemic discrimination was determined involving classes of individuals.

REDUCTION-IN-FORCE COSTS

Question. How much of the proposed funding will go toward reduction-in-force (RIF) costs associated with the proposed reduction of 50 FTE staff positions?

Answer. RIF costs associated with administrative overhead and program administration staff reductions would amount to $2,342,000. This includes funding for such items as severance pay, unemployment insurance, etc. OFCCP proposes to reduce FTEs by 50 and funding by $1,936,000.

Question. How many FTE positions could be filled with the proposed funds allocated to RIF?

Answer. The average salary and benefits of the 50 FTEs is $43,010.00. This amount divided into $2,342,000 shows that approximately 54 positions could be filled with the proposed funds allocated to RIFs. There will be one-time costs for the reductions in the initial year; however, savings in future years will be realized as a result of the reductions.

AFFIRMATIVE ACTION CONFERENCE

Question. What was your role in the cancellation of the OFCCP affirmative action conference? Was Secretary Brock consulted prior to the cancellation of the conference?

Answer. The decision to cancel the proposed OFCCP affirmative action conference did not come easily and was only done after much deliberation. I personally made the decision to cancel, however, I consulted with Secretary Brock and he agreed with this decision.

QUESTIONS SUBMITTED BY SENATOR DALE BUMPERS

JOB CORPS CLOSINGS

Question. The Administration's FY'88 budget assumes the closing of 4-8 Job Corps centers after January 1988. I understand that these 2,000 slots will be reallocated to existing centers. What is the cost associated with closing 4 to 8 centers?

Answer. The one-time costs of closing centers as proposed in our budget request would be roughly $5.6 million. These costs would include those for staff severance, lump-sum leave settlements, protection and maintenance of facilities pending final disposition, and proper disposition of materials and equipment.

Question. Can't those 4 to 8 centers be improved administratively or programmatically?

Answer. There are many factors that will be weighed in making a decision to close a center. Managerial effectiveness is only one of them. In some cases even improving that factor would not make it possible to decide to keep a center open. The decision to close centers without reducing service levels was reached by weighing cost factors, efficiency, and the best interests of the Job Corps program and the disadvantaged youth it serves.

Question. Has the administration considered expanding slots at existing centers without incurring costs associated with closing centers?

Answer. The addition of up to 2,000 slots as suggested in the question would not result in the savings planned in our budget submission and would cause a net increase in Federal spending. In addition, it would not improve the Job Corps program.

As noted above, many factors were considered when deciding to reallocate capacity and close centers. After much consideration, weighing program effectiveness and cost, it was determined that the best solution for the youth involved in the Job Corps program was to consolidate operations into more efficient centers. By increasing our capacity at the more efficient and effective centers we expect to improve outcomes for Job Corps in total and, in particular, for youth who would otherwise have been enrolled in the inefficient programs.

Question. How much would it cost to simply add 2,000 slots to existing centers?

Answer. This answer has two parts. First, we must consider how much it would cost to not close the 4 to 8 centers and redistribute their 2,000 training slots as proposed in the DOL budget request. If the DOL plan is not adopted, Job Corps costs would increase on net by $7.8 million in PY 1987 and by $25.6 million in PY 1988. To then add another 2,000 slots to existing centers in PY 1988 would increase costs further by about $12.5 million in PY 1988, for a total PY 1988 increase of $38.1 over our budget request.

JOB CORPS RANKING SYSTEM

Question. What is the status of the Administration's Job Corps Center ranking system?

Answer. We will be examining possible revisions to the system established for PY 1986 in the next few months.

Question. Have any changes been incorporated into the ranking system since last year?

Answer. No changes have been incorporated to date. The system was specifically designed for the purpose of selecting centers in priority order for closing. Such closings are prohibited under current legislation through 12/31/87. We will be examining alternatives for revising the system during the next few months since the President's FY'87 budget proposal contemplates the closing of 4-8 Job Corps centers to achieve cost savings by redistributing 2,000 slots to the remaining centers. This exmination of the center assessment system is also in accordance with the desire expressed by Congress that action be taken "... to further perfect the newly developed Labor Department rating system..." (Conference Report accompanying the 1986 Urgent Supplemental Appropriations Act).

Question. How often will centers be ranked?

Answer. The Department does not anticipate producing rankings more frequently than on an annual basis.

JOB CORPS II INITIATIVE

Question. What is the status of the Administration's Job Corps II Initiative? The Department plans to save millions in operating costs in Program Year 1988 by implementing approaches and designs developed through Job Corps II. Can you provide some details on the approaches and designs the Department will implement?

Answer. The Department is currently implementing Job Corps II pilot and demonstration projects. A number of these projects will test new approaches though modified program designs. Such projects include the operation of two 100% non-residential Job Corps centers, the operation of a pilot center with regulations and directives suspended, the operation of a center on an extended training day basis with classes offered through evening hours, and a pilot to test a more extended orientation and assessment period for new enrollees. Other Job Corps II projects focus on the development of linkages. We are pursuing the operation of a Job Corps center on a cost sharing basis as a public/private partnership with a major employer or group of employers, and the development of agreements to provide training tailored to specific employers in return for hiring commitments. We are also developing stronger linkages between Job Corps centers and other local JTPA programs, state education boards, and social service agencies to maximize available resources in the provision of service for disadvantaged youth. Those approaches and techniques which prove to be successful in improving services, increasing successful outcomes and/or reducing costs will be implemented on a wider scale.

JOB CORPS LONGITUDINAL STUDY

Question. Does the Department plan to initiate any new longitudinal studies to examine the costs and benefits associated with Job Corps?

Answer. The Department has no plans to conduct any new longitudinal studies for Job Corps.

JOB CORPS CAPITAL NEEDS

Question. Please describe the Administration's policy with respect to the following special capital needs in Job Corps: The pending expiration of leased facilities where leases cannot be renewed, specifically Laredo, Texas; and Talking Leaves, Oklahoma.

Answer. The lease for the Laredo Job Corps Center does not expire until January 1990. As yet, we have not formulated any specific plans for that event. The lease for Talking Leaves expires in August 1988. We have made good progress in our efforts to locate and acquire a new site where the center can be relocated upon expiration of the current lease.

Question. Describe the Administration's policy regarding the executive order requirement to pay the General Services Administration the current market value to transfer military and other properties to the Department of Labor -- specifically Chesapeake, Maryland; St. Louis, Missouri; and Kittrell, North Carolina.

Answer. We are mindful of the executive order and will comply with it. However, extensive discussions must still be held with the agencies involved in order to arrive at appropriate terms for the transfers.

Question. Describe the Administration's policy regarding the targeting of five centers where funds are needed to "substitute new facilities for current sites that should be abandoned" -- specifically Detroit, Michigan; Cincinnati, Ohio; Charleston, West Virginia; and Atlanta, Georgia.

Answer. The Job Corps centers mentioned in your question are all located in old, deteriorating facilities which are not conducive to the good learning environment that we attempt to establish for our corpsmembers. These centers could well become candidates for closing in connection with our proposed cost saving initiative. However, before any such decisions are reached, we would take into consideration whether there are any suitable, low-cost alternative sites in nearby communities where the centers could be relocated.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

AIDS TESTING IN JOB CORPS

Question. What are your plans for AIDS testing of Job Corps enrollees?

Answer. Job Corps implemented a policy, effective March 1, 1987, of testing all new residential enrollees as part of the required Entrance Medical Examination. New nonresidential enrollees and staff members will be tested on a voluntary basis.

Question. Do you plan to test all present enrollees as well as incoming participants in Job Corps?

Answer. Present enrollees will be tested on their request and/or if directed by the center physician, if AIDS is clinically suspected.

Question. What will happen to those who test positive? Will they be dropped from the program, or separated from the rest of the enrollees?

Answer. Enrollees will be transferred to nonresidential status if practicable, or will be terminated and referred to nonresidential training in a JTPA program (Job Training Partnership Act). In addition, referral for medical assistance and follow up in the home community will be made. Staff members will be managed according to the policy of their employer (center operator).

Question. Is it possible to minimize the stigma associated with separation?

Answer. Corpsmembers transferred to nonresidential status will not be separated from other enrollees in the Job Corps non-residential center. Any stigma associated with transfer or termination will be minimized by ensuring the utmost confidentiality about positive test results.

Question. How adequate is your budget in dealing with AIDS testing and other support services?

Answer. The resources required to do AIDS testing and related support services have been considered in our 1987 planning as well as our 1988 request before the Congress.

NEW WORKER ADJUSTMENT PROGRAM

Question. You are proposing to replace the present dislocated worker and Trade Adjustment Assistance programs with a new worker adjustment assistance program. How would the proposed new program respond to worker dislocation problems more quickly and more effectively than existing services?

Answer. Services will be provided quickly, possibly as soon as 48 hours after notice of a mass layoff or closings, workers will be aided sooner than under the current JTPA Title III program or the Trade Act programs. In addition, there will be no lengthy certification process, which delays adjustment, as is required now under the Trade Act. The new program will encourage and offer incentives for voluntary advance notice of layoffs and plant closings by employers. These include services to companies and workers in the event of layoffs and plant closings, and financial incentives under State unemployment compensation laws. Also, a rapid response capability throughout the State is required as a condition for receipt of funds. These provisions should provide quick and effective services to dislocated workers.

Question. For example, would the additional unemployment insurance benefits such as those now available under the Trade Adjustment Assistance program be maintained under your new program?

Answer. The Worker Readjustment Program provides for the payment of benefits under certain circumstances. Subject to an overall 15 percent cost limitation, benefits may be paid, if needed to facilitate participation in retraining services. Benefits may be either an amount not to exceed an individual's average weekly unemployment compensation if participating in retraining services no later than the end of the tenth week of the participant's initial unemployment compensation benefit period, or a needs-based payment. Only to the extent that such benefits may be available when linked to retraining services will they be similar to those under the Trade Adjustment Assistance Program.

Question. If not, what would happen to those trainees who could not find employment right away but who may have exhausted their unemployment benefits?

Answer. Of course, every effort will be made to provide dislocated workers with adjustment assistance, either basic reemployment or retraining services, resulting in reemployment at the earliest possible time, before they have exhausted their unemployment benefits. Support services will be available to participants during the period of participation and up to the 180th day after the participant has completed other services. Needs-based payments may also be provided as approved by the local substate grantee.

JOB CORPS RECRUITMENT OF WOMEN

Question. The Job Corps program administered by your own Labor Department has traditionally had difficulties recruiting women. To what extent is this attributable to the lack of child care facilities and/or services at Job Corps center nation-wide?

Answer. While our recruiters have found that lack of child care facilities does affect the recruitment of females, it is only one of several factors. Other factors include the general reluctance of female eligibles (with or without children) to leave home and reside on center, parental concern for a safe environment, and appropriateness of occupational offerings on center. Nevertheless, an estimated 16 percent of Job Corps' female enrollees have at least one child when entering the program, indicating that some females are able to make their own child care arrangements.

Question. What is being done to address this situation and what are the anticipated costs associated with necessary child care are related services.

Answer. It is extremely expensive to operate child care facilities; Job Corps does not have the necessary resources. Rather, center operators are continually being encouraged to arrange for support from other funding sources for female enrollees in need of day care service.

Two centers which operate day care programs solely for Job Corps enrollees are the Atlanta and San Jose Job Corps Centers. The cost of the Atlanta program is about $136,000 annually with an average child enrollment of 65. The cost of the San Jose program is about $184,000 annually with an average child enrollment of 30.

SERVICE SECTOR DATA

Question. That the service sector is the primary employer of most Americans is no longer news. Yet, when we look at the labor force, wage, and productivity data published by the Bureau, we find detailed breakouts for the manufacturing sector but not the service sector. When is the Bureau going to catch up with the times?

Answer. While BLS data have called attention to and quantified the extent of the rapid employment growth in the service sector, it is true that data published by BLS, and, indeed the entire Federal statistical system, provide much more detail on the goods-producing sector of the economy. The recently issued revisions to the Federal Government's Standard Industrial Classification (SIC) system address this issue to some extent by setting forth expanded industry detail for the service sector in the government-wide industry definitional system which is mandatory for all Federal statistical agencies. The BLS budget submission for FY 1988 requests the funds necessary to adopt this revised classification system in the Bureau's programs.

In the employment statistics area, BLS has expanded the amount of detail available in the monthly employment data by providing separate detail for 82 additional industries in the service producing sector. The possibility of further expansions will be examined once the revised Standard Industrial Classification system has been incorporated in the Bureau's data collection programs. With the addition of these 82 industries, the BLS employment statistics program covers all service sector employment at the two-digit SIC level, 77 percent of employment at the 3 digit SIC level of detail; and 62 percent of service sector employment at the 4 digit SIC level. Thus, in the employment area, coverage is extensive in both absolute and relative terms, with lack of further coverage in part a function of the relatively small number of reporters in many of the smaller service industry components.

For FY 1987 and 1988, the Bureau plans to continue its efforts, with the budget expansion that occured in 1985 and 1986, to extend service sector coverage in the wage, productivity, and price programs. In the Employment Cost Index program, new industry indexes will be developed for communications, electric, gas, and sanitary services, food stores, the banking and insurance industries, business services, and hospitals. In the productivity area, labor productivity measures for hospitals, auto repair shops, hardware stores, department stores, variety stores and auto and home supply stores should be completed. A multi-factor industry productivity measure for telephone communications will be initiated as well as a multifactor major sector measure for public utilities. Five additional technology studies will be completed in service-producing industries. For producer prices, new indexes will be available in the air transportation, communications and retail trade areas and development work will continue for other transportation industries and business services. Coverage in international price indexes will expand to export scheduled airline services, import tanker ocean freight services and import airline passenger fares. Additionally, work on import air cargo, import ocean freight (either liners or tramps) and port fees will be started.

PERMANENT MASS LAYOFF AND PLANT CLOSING PROGRAM

Question. What is the status of the Department of Labor's attempt to determine the approximate number of plant closings in the United States by State and by industry?

Answer. Forty-four States and the District of Columbia are currently participating in the Bureau of Labor Statistics' PMLPC program. Discussions and/or negotiations are continuing with the remaining States, and we expect that all six of these will be participating by the end of FY 1987.

We are currently working on the Department of Labor's first annual report to the Congress on the PMLPC program. We expect this report to be delivered this spring; it will provide data and analysis on establishments experiencing mass layoffs and workers affected by these events for 11 States for all of 1986 and for 25 States for the last half of 1986. State and industry analysis will be included in the report, as well as other socio-economic information provided by the program.

UNDERREPORTING OF OCCUPATIONAL HAZARDS

Question. Recent news articles have indicated that "OSHA" has cited several major employers for recordkeeping violations and underreporting of occupational injury and illness data. It has been suggested that when the Department reports reductions in occupational illnesses and injury this could in fact be a function of underreporting rather than a decline in such incidents. To what extent have you found that employers are inaccurately recording and reporting injury and illness data?

Answer. OSHA feels that accurate injury records are an integral part of an employer's safety and health program, and therefore, has recently issued significant penalties against several major corporations for willfully violating regulations in this area. Although these were major cases, they represent a very small number of employers. We have no evidence to date that the problem is widespread or that these cases affect the overall national statistics. The Bureau of Labor Statistics Annual Survey, on which the injury rates are based, uses the data from 280,000 firms to project estimates. It is unlikely a few erroneous reports would skew the national statistics.

Question. What effect would inaccurate and underreporting of these data have on OSHA's policy decisions, inspection decisions and appropriate staffing?

Answer. OSHA utilizes the BLS results primarily for targeting safety inspections in only the manufacturing sector. Policies with regard to health activities, complaints, accidents inspections, and inspections outside manufacturing (such as construction inspections) do not rely on the BLS statistics. Even within manufacturing, OSHA expects to make decisions resulting in "records only" inspections at about 2,000 manufacturing visits. Given this limited impact, the inaccuracy of this data, though of serious concern, would not substantially affect overall policy decisions.

Question. What is OSHA doing to ensure accurate employer recordkeeping?

Answer. OSHA has taken several steps to ensure accurate employer recordkeeping. First, OSHA is conducting a detailed examination of 200 establishments, chosen at random from Massachusetts and Missouri, to determine the quality of employer recordkeeping and the degree of compliance with agency regulations. With results expected later this year, this study should give the agency a good indication of whether or not the problem is widespread. In addition, the most recent instruction to OSHA compliance officers requires greater scrutiny of employer injury logs on each OSHA enforcement visit. Finally, the Department has requested the National Academy of Sciences to conduct a comprehensive examination of the entire recordkeeping system. Results of that study are also expected later this year.

WORK AND FAMILY CONFLICTS/CHILD CARE NEEDS

Question. Mr. Secretary, you recently indicated that between now and the year 2000 women, minorities, and immigrants will account for over 80% of the net additions to the labor force. This phenomenon coupled with the growth of single-parent families and two-parent worker families indicates there is a serious growing need for new approaches to assist with the conflicts between work and family obligations. There has never been a greater need for more and better child care and related support services during the working hours. Is this issue a high priority of the Labor Department, and if so, how is the department assisting in the development of such programs relating to work and family conflicts?

Answer. The issue of work-related child care is a high priority of the Women's Bureau and Office of the Secretary, as it has been for a number of years. The Bureau's initiative on employer-sponsored child care resulted in the development of several publications on establishing programs through the worksite. These materials and a videotape depicting how Chief Executive Officers are implementing child care options in employee benefit plans, are widely distributed on request, at conferences and with business support. Of special interest is the effort to sensitize employers to flexible personnel policies as well as financial and other assistance. Over 3000 companies now offer some child care assistance, growing from only 100 identified in 1980.

PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

Question. The President's Committee on Employment of the Handicapped (PCEH) has recently been directed, by law, to be guided by the general policies of the National Council on the Handicapped. How does the PCEH plan to comply with this Directive?

Answer. The President's Committee will enter into a MEMORANDUM OF UNDERSTANDING with the National Council on the Handicapped. This MEMORANDUM will provide a mechanism for the President's Committee to respond to the Directive. But we have not delayed our efforts while the Memorandum of Understanding is being completed. We are working regularly with the National Council to be sure that our activities are guided by the Council's general policies.

Question. Has the PCEH already made changes that would reflect its compliance with the new law?

Answer. The President's Committee cosponsored the Louis Harris and Associates study "Employing Disabled Americans" with the National Council and International Center for the Disabled. The President's Committee worked with the Council on the national release of this study on February 4 which attracted coverage from AP, UPI, and THE NEW YORK TIMES. The Committee considers this new study a cornerstone of its future actions and directions in reaching the nation's employers about workers with disabilities. Additionally, the Committee arranged a seminar of employers, government officials and consumers who responded to the new study at the February meeting of the National Council. The Committee's Acting Executive Director is meeting on a regularly-scheduled basis with the Executive Director of the Council to review plans and exchange comments. The Committee's 1987 WORK PLAN follows the lead of the Council's report TOWARD INDEPENDENCE relating Committee work plans to this report and furthering the close relationship being established between the Committee and the Council. The Chairs of the Council and the Committee are also meeting on a regular basis to discuss programs, plans and cooperative projects.

QUESTIONS SUBMITTED BY SENATOR MARK O. HATFIELD

TRADE ADJUSTMENT ASSISTANCE

Question. Oregon had had its funding for the Trade Adjustment Assistance program shut off three times in the recent past. Currently, many Oregonians who lost their jobs due to plant closures resulting from foreign competition at Commonwealth Aluminum and Hanna Nickel Mine, for example, will not be retrained because funding for this program on longer is available. It also is my understanding that the Department is considering proposing a new program, the Worker Adjustment Act, which would institute a further $90 million reduction in Employment Services Administration funds. How can the Department propose such a new program when they are having difficulty in administering their present programs?

Answer. The new $980 million Worker Readjustment Program (WRAP) is designed to overcome the limitations in current programs now serving dislocated workers. For example:

- o TAA is inequitable in that it favors one group of workers over another based on the cause of dislocation; some workers from the same plant may get benefits while others are ineligible. Help from WRAP will be available to all dislocated workers, regardless of the cause of their job loss.

- o TAA has a lengthy investigations process that delays assistance when it is most needed and useful. WRAP assistance will be available quickly without red tape.

- o TAA emphasizes income support rather than the necessary adjustment services, resulting in delays in adjustment and extremely high costs. WRAP will target Federal resources on the services workers need to get them back to a productive job.

- o Title III has experienced delays in enrolling workers and problems in allocating funds to areas most in need. WRAP will provide the flexibility to move resources quickly to where they are needed.

Question. Would it not make more sense to ask the Committee for a supplemental appropriation instead of proposing a new program?

Answer. A supplemental would not address these problems. A new comprehensive approach along the lines of the Administration's proposal is needed to correct he current deficiencies and introduce new approaches to the dislocated worker problems.

IMMIGRATION

Question. The Department of Labor is charged with the implementation of the temporary agricultural worker provisions (Section 210A) of the new immigration law reform measure, the Immigration Reform and Control Act of 1986. This provision allows for the use by growers of perishable crop commodities of temporary and replenishment agricultural workers to meet the labor demands of perishable crop growers in the United States. The clear intent of Congress in adopting this provision was to ensure a steady labor supply for perishable crop growers who have relied on alien labor in the past. When will the new regulations for this program be issued for comment?

Answer. The Department of Labor (DOL) is responsible for implementation of the H-2A program provided for under Section 301 of the Immigration Reform and Control Act of 1986 (IRCA). Final, interim regulations on this program, which must be approved by the Attorney General, are required by statute to be issued June 1, 1987. Section 210 (a) of IRCA, which establishes a program for Special Agricultural Workers (SAWs) different from the H-2A program, is to be administered by the Immigration and Naturalization Service (INS) with the assistance of DOL and the U.S. Department of Agriculture (USDA). INS is consulting with DOL in its drafting of regulations for the SAW program.

Question. Knowing that the date for implementation of this program is June 1, 1987 what efforts are being made to ensure that those growers who need alien labor for this harvest (beginning May 1987) will receive authorization for alien labor?

Answer. The regulations implementing the H-2A program will most likely be published in the Federal Register as a Notice of Proposed Rulemaking during early April. The public and all interested parties will have a 30-day period to review and comment on the proposed regulations. Final H-2A regulations are expected to be published in time for the effective date of June 1. Growers who wish to apply for temporary alien agricultural labor in 1987 are being advised that applications submitted on or after June 1 will be governed by the H-2A regulations. Applications submitted any time before June 1 will be governed by the current regulations at 20CFR Part 655 which have been in effect since 1978 and prescribe the process for agricultural labor certification under the existing H-2 program. There will be no transition period.

Question. Will you assure me that growers in my State will be able to apply for labor certification in order to use alien labor for this harvest?

Answer. While IRCA mandates a number of changes in the existing H-2 program, the basic criteria affecting labor certification determinations remain the same. Labor certification will only be granted if there are not sufficient qualified, willing and available workers in the U.S. to do the work for which aliens are being requested, and the importation of the aliens will not adversely effect U.S. workers similarly employed. For this reason, although certain procedures will change, DOL does not envision any disruptions or problems in implementation of the new regulations after they become effective June 1.

Question. Can they apply before June 1? If not, how will they be able to use alien labor under the new program?

Answer. Any grower who wishes to apply for labor certification in 1987 will be provided assistance in following the procedures currently required under the H-2 program regulations, or, after June 1, under the new H-2A program regulations.

Question. What special measures will be taken to deal with the interim period between the passing of the new law and its implementation? What efforts are being made to inform growers in my State of the procedures for implementing this provision of the new law?

Answer. DOL is planning a series of conferences and training sessions for regional and State staff, as well as an instruction booklet for potential H-2A employers, so that accurate information on the H-2A program can be given to interested parties.

BUDGET CUTS

Question. Why does the Department of Labor continue to attempt to cut the Employment Service Administration and Unemployment Insurance Administration budgets? The latest reductions will cause ten office closures and the lay-off of 105 staff persons in the State of Oregon alone.

Answer. The President's FY 1988 budget request includes an increase of $100 million for State UI administration over the Fiscal Year 1987 appropriation.

For the 1987 Employment Service allotments to States, the Department is requesting a reduction of $90 million and authority to reallocate excess unspent balances in States to help offset our Fiscal Year 1988 Federal spending increases. There remain large unspent balances in some States which when redistributed will partially offset the proposed reduction. Further, there remains substantial flexibility for States to implement cost savings and other improvements that will enable them to maintain services. Finally, and most important, the new worker adjustment assistance program that the Administration is proposing would begin October 1, 1987, three months after the start of the 1987 Employment Service Program Year. The Department foresees many Governors providing a substantial role for the Employment Service in the delivery of services financed by this new program. This new program would have an annual budget which is almost one-third greater than the presently-enacted level for the Employment Service and many times greater than the amount by which the Department is proposing to reduce 1987 allotments to States.

SURPLUS IN ADMINISTRATION ACCOUNT

Question. How can such actions be justified when there is a $1 billion (and growing) surplus in the Federal Unemployment Tax Act (FUTA) administrative account which can be used only to administer these programs?

Answer. As with the benefit accounts, the FUTA administrative account operates on an insurance principle that enables surpluses to be built up during periods of lower unemployment such as we are now experiencing so that adequate reserves are available to finance these activities when an economic downturn occurs. During such periods more funds are appropriated than during periods of lower unemployment, drawing down upon these reserves. The current "$1 billion surplus" in this account must be viewed in this context. When a pre-set statutorily established ceiling is reached, any amount above this ceiling overflows into the Extended Unemployment Compensation Account which is used to finance the Federal share of extended benefits. When that account reaches it's statutory ceiling, any amount above that ceiling then flows into the Federal Unemployment Account to be used to provide repayable advances to States with depleted reserves.

One of the principle objectives of the President's Trade, Employment and Productivity Act of 1987 is to provide States with greater flexibility and authority over the administration of these programs. Under current law the Federal Government decides how much each State will get to administer UI and ES. With the successful enactment of the President's proposal, each State will determine the level of resources to administer these programs, as well as the number of offices needed and how best to process UI claims and perform other required functions.

LOCAL AREA UNEMPLOYMENT DATA

Question. In light of the fact that the State of Oregon has not released its Unemployment Insurance Rate for two consecutive months because of inaccrate data resulting from the Bureau of Labor Statistics' current CPS (Current Population Phone Survey) survey, why have you not requested more funding from the Committee to expanded the sample size of the survey when large amounts of federal money are allocated on the basis of that survey?

Answer. First, it should be pointed out that the monthly unemployment estimates for the State of Oregon, as well as in all but 11 of the States, are not derived directly from the Current Population Survey (CPS), the monthly household survey which is the source of the national labor force data. Unemployment estimates for Oregon are derived by combining current unemployment insurance data and other administrative records with a 6-month moving average of CPS survey data. The State of Oregon has questioned the December and January unemployment figures which have been derived from this process, and, in particular, have questioned the accuracy of the CPS data which were used.

BLS staff and the staff of the Census Bureau reviewed these estimates and found that the data were developed in accordance with established procedures, that the movements in the data were explainable, and that the data were within acceptable limits for sample-based estimates. However, the standard smoothing methods using the aggregated CPS and administrative data (which are required in States where the monthly CPS estimates are not sufficiently reliable for direct use) created a discontinuity in the official unemployment series. The resolution of this problem is being addressed jointly by BLS and the Oregon employment agency.

In the past, when the Bureau considered increasing the sample size of the CPS to produce better State estimates, the costs have proved to be prohibitively expensive. For example, supplementing the CPS to increase the reliability of the monthly estimates for the State of Oregon alone, so that the data would be sufficently reliable to be used for official monthly estimates, would require an additional 2,000 households a month and cost an additional $650,000 a year. And there are 38 other States and the District of Columbia for which monthly CPS data are not now sufficiently reliable to be used directly as the official estimates. The BLS and the Census Bureau are currently involved in a joint effort of evaluating the CPS, with emphasis on improving the reliability of labor force data for each State, not only through sample expansion but also by improved estimation and survey efficiencies. However, without large scale budget expansions it will be impossible to achieve sizable improvements in the quality of the CPS monthly State data.

Question. Does the Department feel the federal government should be allocating such money when the Bureau of Labor Statistics admits that the survey has a + 25% error rate?

Answer. Relative errors on monthly Current Population Survey (CPS) estimates for some small states may be that large. That is why monthly CPS data are not used directly as the official monthly estimates in these States, but rather are aggregated over a 6-month period and combined with monthly State administrative data. It is this "composite" estimate for Oregon and 38 other States that becomes the official data published by BLS and used in allocation and eligibilty determinations.

It should also be noted that in no case are data for a single month ever used in any fund allocation or eligibility process. Currently, 12 months of data are required in all such determinations, and often other information in addition to unemployment is used.

Questions Submitted by Senator Pete V. Domenici

BIENNIAL BUDGET

Question. Would your department/agency favor a biennial budget process? What benefits would your agency achieve in a two-year appropriation cycle?

Answer. The administration is studying the subject of multi-year budgeting and whether to propose biennial budgeting for appropriations for accounts other than those in the national defense area. Biennial budgeting would appear to have substantial advantages for a number of agencies. With respect to the Department of Labor, I strongly favor and encourage a biennial budget. I believe that implementing a two-year budget cycle would yield numerous benefits both for the Congress and for my Department. As you know, the budget process is both lengthy and repetitive. Switching to a two-year cycle would allow the Department's managers--from myself and my senior staff on down--to devote much needed time and energy on developing creative solutions to the host of difficult issues we face. We could use this time to analyze our programs, test hypotheses and develop and debate alternatives. It often seems that the pace of change in our modern society is ever accelerating. In order to keep our programs responsive to changes in the workplace and workforce, it is increasingly necessary to devote close and concentrated attention to these changes and their implications. A two-year cycle would also yield the more obvious benefits such as enchanced program management, better program predictability and continuity of operations, and increased productivity within the Department. It should also eliminate those costly government shut downs that seem to occur with increasing frequency.

Question. What difficulties do you foresee in preparing and submitting a two-year budget to Congress?

Answer. The greatest difficulty that I can forsee in preparing and submitting a two-year budget to the Congress would be the impact that an unforseen and significant change in overall

economic activity could have on our budget. An unforseen economic slowdown soon into a two-year cycle, for example, would adversely affect the budgets of many of our entitlement programs which are sensitive to changes in economic conditions.
A second problem would be formulating accurate estimates for an extended period of time. Under the current process, we submit estimates to Congress each January. Those estimates cover a fiscal year that ends 22 months later. With a two-year cycle we will be estimating for a period that will end almost 3 years later. Obviously, those estimates will be less precise. Because of this, we anticipate the need for an increasing number of supplemental and amended budget requests.

Problems will also develop in the execution of a two-year budget. First, we would have to re-tool somewhat to change forms, instructions, accounting systems, projection formulas, etc., to accommodate the extra year. Managers would need to be educated in financial managment techniques and additional oversight would be required during the adjustment period to the two-year cycle.

On balance, however, I believe the benefits outweigh the costs and I would strongly support the change to two-year budgeting.

Question. Approximately what proportion of your annual appropriation request would you consider simply repetitious of the previous year's submission?

Answer. From the standpoint of its overall content and format, the Department's budget is almost entirely repetitious. Our appropriation structure, account titles, programs and budget activities change very little if at all on a year-to-year basis. Of course, staffing and dollar amounts in the individual accounts do fluctuate each year. In most cases however, those changes reflect mandatory adjustments related to pay, benefits and inflation and relatively small program changes resulting from internal controllable actions such as reorganizations, shifts in workload priorities and changes in methods of operation.

We do experience a wide variation in year-to-year estimates in areas where the Department cannot control events. Examples include black lung and special benefit payments and transfers from the unemployment trust fund for State Unemployment Insurance and Employment Security Operations. But even in these cases, our budget presentation is basically the same although the amounts may be different.

In summary, the stability of the Department has led to a great deal of repetition in our budgeting process. This puts the Department in an excellent position to implement a two-year budget cycle should Congress decide to make that change.

DEPARTMENTAL MANAGEMENT

STATEMENT OF RAYMOND MARIA, DEPUTY INSPECTOR GENERAL

PREPARED STATEMENT

Senator CHILES. At this point I want to ask the Deputy Inspector General, Ray Maria to come forward; we will put your prepared statement in the record.

Basically, what I want to ask you, inspector, is do you have sufficient funds within this budget request to meet your needs, to be able to do the oversight audit and inspection functions of the Department of Labor?

[The statement follows:]

STATEMENT OF RAYMOND MARIA

Mr. Chairman, members of the subcommittee, I appreciate this opportunity to appear before you to present the fiscal year 1988 budget request for the Office of Inspector General in the Department of Labor.

As you know, this office was created by the Inspector General Act of 1978. The responsibilities we are charged to carry out include: recommending policies to prevent and detect fraud, waste, and abuse in DOL activities and programs, and to increase economy and efficiency; conducting, supervising, and coordinating audits and investigations relating to DOL programs and activities; informing the Secretary of Labor and the Congress about problems and corrective actions taken in the administration of DOL activities and programs; and reviewing legislation and regulations to assess fraud, waste, and abuse potential and make recommendations to the DOL and the Congress. Additionally, the DOL OIG is assigned the responsibility and authority to investigate organized crime's influence and impact upon labor organizations and their employee benefit and welfare plans, and labor-related activities.

The OIG carries out its mission through four activities: the Office of Audit, the Office of Investigations, the Office of Labor Racketeering, and an executive direction and management activity.

The 1988 budget request of the Office of Inspector General represents a net increase of $3,182,000 and 10 FTE's above the 1987 amount. Except for the program increase requested for the Office of Labor Racketeering, this budget provides for about the same level of effort as in fiscal year 1987.

The fiscal year 1988 budget request for the Office of Audit [OA] activity totals $26,171,000 and 271 FTE's. This amount includes $8.3 million in audit contracting funds, which will enable the Office of Audit to provide the equivalent of 339 staff years of audit effort to review critical departmental programs and activities.

In fiscal year 1988, OA will continue its long-range program to provide audit and consultative services for all the Department's major programs and activities. OA will continue to stress the integration of audit techniques with DOL financial systems to assist departmental managers in improving program planning and decisionmaking and to work with departmental management on audit-identified problems to improve program operations and service delivery. Substantial fiscal year 1988 workload will be in the areas of: Pension and Welfare Benefits Administration [PWBA]; Occupational Safety and Health Administration [OSHA]; Mine Safety and Health Administration [MSHA]; departmental ADP management; and departmental financial management.

Audit coverage of other departmental programs and activities will reflect marginal changes. At the request level, OA anticipates performing 160 audits, reviews, and studies, and issuing 189 audit reports under the Single Audit Act.

The fiscal year 1988 budget request for the Office of Investigations [OI] activity totals $7,974,000 and 113 FTE's.

During fiscal year 1988, the OI's emphasis will be given to improving investigative productivity and effectiveness. Case findings will be reported to program managers wherever appropriate to improve operations, internal controls, prevention, and detection. Recommendations will be made on utilizing data from program operating systems as indicators of fraud or other significant problems.

DOL programs that have come under limited or no examination in the past will be subject to investigative reviews and analyses. Investigative workload projections for fiscal year 1988 are slightly reduced from the 1987 level as more complex and significant investigations, in terms of recoveries and improvements in DOL program operations and problems, will be addressed. We will also emphasize monetary recoveries through both the criminal and civil processes.

The fiscal year 1988 budget request for the Office of Labor Racketeering [OLR] activity totals $7,461,000 and 111 FTE's.

The OLR implements and coordinates a program to conduct investigations which are prosecuted by the U.S. attorneys offices, the U.S. Department of Justice strike force offices, and selected State prosecutors. The OLR also coordinates its program with the Office of Labor Management Standards and the Pension and Welfare Benefits Administration.

With the requested resources, this office will continue to investigate abuses of benefit plans and penetration of unions by organized crime and racketeering elements, especially in the construction, waterfront, transportation, and service industries.

The additional 10 special agent positions will allow OLR to increase its investigations of employee benefit plan corruption nationwide and reestablish an investigative presence in southern California in order to address the identified labor racketeering activity within that area. This increase in resources is consistent with the report of the President's Commission on Organized Crime recommending greater DOL involvement in the labor racketeering area, and responsive to the passage of the Comprehensive Crime Control Act of 1984, section 805(b), which clarified the investigative responsibilities of the Secretary.

The budget request for the executive direction and management [EDM] activity totals $4,077,000 and 45 FTE's.

The executive direction and management activity provides for management direction as well as planning, reviews, legislative and regulatory assessments, personnel operations, financial management, information resources management, and administrative support functions necessary to carry out OIG activities on a timely and cost-effective basis.

Special emphasis in fiscal year 1988 will be focused on operational planning, budget and resource management, payroll, personnel management, ADP services, training programs and the OIG Self-Inspection Program. In addition, we expect to devote considerable resources to several departmental and President's Council on Integrity and Efficiency [PCIE] initiatives.

Mr. Chairman, that concludes my statement. I would be pleased to answer your questions.

FUNDING FOR OFFICE OF LABOR RACKETEERING

Mr. MARIA. There are adequate funds to discharge the traditional inspector general responsibilities in terms of the Office of Investigations and the Office of Audit, but it would require us to be extremely resourceful to be able to operate the Office of Labor Racketeering [OLR] at the requested funding level.

Senator CHILES. Well, tell me why the Office of Labor Racketeering is being forced to take a one-third cut in its travel budget from $619,000 down to $419,000. Do you have less work to do in labor racketeering?

Mr. MARIA. Labor racketeering clearly remains a problem, and from our standpoint sales are always up, unfortunately. What we are looking at is an increase, a proposed increase, of 10 personnel for the Office of Labor Racketeering, but that increase in personnel is not accompanied by a request for full funding.

Senator CHILES. Well, would not an increased staffing level require more travel funds to effectively carry out the reason for the increase in the staffing level?

Mr. MARIA. Clearly it would. The requested increase will not fully support the proposed personnel increase, and I will provide specific information for the record.

[The information follows:]

The Office of Managment and Budget [OMB] allowed 10 new positions for OLR at an estimated cost of $441,000 but did not provide additional funding for these positions. OMB directed the inspector general to fund this amount from within his fiscal year 1988 allowance.

The inspector general proposes to generate this amount in the following manner:

From EDM travel and supplies	$12,000
From OI travel and supplies	23,000
From OA audit contracts, travel and supplies	174,000
From OLR travel and supplies	232,000
Total	441,000

OLR estimates the full cost of these 10 positions to be $676,000.

MANAGEMENT IMPROVEMENT

Senator CHILES. Recently the General Accounting Office had a followup report indicating that Secretary Brock had made substantial progress in correcting management deficiencies identified by GAO a year earlier.

What is your assessment of management improvement efforts in the Labor Department?

Mr. MARIA. Well, I think there have been substantial improvements. I think the Office of Inspector General has received a very positive response to its recommendations for improved management practices in the Department of Labor programs.

Senator CHILES. What are you doing to see that strong financial and program management becomes institutionalized, in other words, regardless of who is the Secretary of Labor?

Mr. MARIA. Clearly, from an inspector general's standpoint, that is one of our major initiatives and we are attempting to be the model. We, in fact, in the Office of Inspector General, are reviewing our own management system, installing what we consider to be a very capable and accurate financial management system and then would like to transfer our experience into other agencies within the Department of Labor.

Senator CHILES. I am glad to hear that and I hope that you will stay in close contact with the staff of the subcommittee so that we can continue to monitor those activities and the other ongoing activities.

We think the role that you happen to play is one of the most important roles of any of the inspector generals. We know, in looking at labor racketeering, some of the tools of the Secretary of Labor and his office are unique in the investigative area, to protect workers from falling prey to people that are carrying out illegal activities.

So, we want to continue to work in that regard.

Mr. MARIA. We welcome your interest. Thank you.

Senator CHILES. Thank you.

SUBCOMMITTEE RECESS

The subcommittee will recess until Tuesday, March 3, when we will hold hearings on the Department of Health and Human Services.

[Whereupon, at 3:40 p.m., Thursday, February 26, the subcommittee was recessed, to reconvene at 2 p.m., Tuesday, March 3.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1988

TUESDAY, MARCH 3, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:30 a.m., in room SD-116, Dirksen Senate Office Building, Hon. Lawton Chiles (chairman) presiding.

Present: Senators Chiles, Weicker, and Domenici.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF HUMAN DEVELOPMENT SERVICES

STATEMENT OF JEAN K. ELDER, ASSISTANT SECRETARY DESIGNATE FOR HUMAN DEVELOPMENT SERVICES

ACCOMPANIED BY:

NORMAN GOLDSTEIN, DIRECTOR, OFFICE OF MANAGEMENT SERVICES

DENNIS P. WILLIAMS, DEPUTY ASSISTANT SECRETARY, BUDGET

PREPARED STATEMENT

Senator CHILES. Good morning. Today we are going to hear testimony on the fiscal 1988 appropriations request for the Office of Human Development Services and Health Care Financing Administration.

Our witness is Dr. Jean Elder, the Acting Assistant Secretary of Human Development Services.

Your budget has a new wrinkle this year, something called a generic appropriation request covering 26 programs authorized by 10 separate pieces of legislation under the jurisdiction of four different Senate authorizing committees.

The Congress is being asked to give up responsibility for setting funding priorities among programs for children and youth, the elderly, native Americans and the developmentally disabled, and, therefore, trusting the administration to allocate resources from one lump sum appropriation.

Assistant Secretary Elder, your prepared statement will be included in the record, and I would like to ask you to highlight it if you would at this time.

[The statement follows:]

STATEMENT OF JEAN K. ELDER

I am pleased to appear before you today to discuss the fiscal year 1988 budget request for programs administered by the Office of Human Development Services and the supplemental request for Foster Care and Adoption Assistance for fiscal year 1987.

For 1988, a total of $5,659,406,000 is requested to support a variety of social programs which serve children, youth and their families, the elderly, those who are developmentally disabled, and Native Americans. Of the total requested, $2,700,000,000 is requested for the Social Services Block Grant appropriation; $2,277,366,000 is requested for the Human Development Services appropriation; and $682,040,000 is requested for the Family Social Services appropriation.

A level of $2,700,000,000 is requested for the Social Services Block Grant to continue support for a variety of social services in each State. The amount requested represents the full authorization for this program in fiscal year 1988. Services which a State may choose to provide may include, but are not limited to: child and adult day care services, protective services, foster care, transportation, training, information and referral, counseling, delivery of meals, and health support.

A level of $2,277,366,000 is requested for the Human Development Services appropriation. Of the amount requested, $2,209,842,000 is a generic request for all discretionary social services programs administered by the Office of Human Development Services.

This generic request is in no way a block grant consolidation proposal and its enactment will not result in any major changes in the operation of existing programs. This approach is intended to simplify the budget decision-making process and to focus resource allocation decisions on the overall social services policy rather than specific programs. This request replaces 26 separate line items displayed in the past. The implementation of this request will foster a more comprehensive consideration of the entire human services development function. Under a generic appropriation, to the degree Congress does not earmark funding, the Department would have the flexibility to use program expertise to determine specific funding levels and initiatives that best serve children, Older Americans, the developmentally disabled, and Native Americans. This budget approach follows that of the Congressional budget committees which assign funding allocations to broad functional categories. Congress is invited to selectively define priorities and will be informed promptly of specific funding decisions.

Programs included in this request -- Head Start, Child Abuse, Child Welfare, Runaway Youth, Aging, Developmental Disabilities, and Native American programs -- will retain their separate statutory authorities.

These programs share common objectives: to help people maintain self-sufficiency, lead productive lives, and overcome abuse and the need for institutionalization.

Of the funds requested, at least $1.151 billion would be allocated to Head Start, an increase of $20 million over the 1987 level and an increase of $110 million over the comparable 1986 level of support. Priority will also continue to be placed on Child Welfare Services, Aging services and nutrition programs, Developmental Disabilities grant programs, and financial assistance grants for Native Americans.

The request of $67,524,000 for Program Direction will support 1,025 FTE, a decrease of 25 FTE from the 1987 level.

A level of $682,040,000 is requested for the Family Social Services appropriation for the Foster Care and Adoption Assistance programs. State administrative costs have increased 500 percent over the last four years; in 16 States, administrative costs have increased more than 1,000 percent. Therefore, the Administration has proposed legislation that will limit administrative and training payments to 50 percent of maintenance payments in the Foster Care and Adoption Assistance programs. It is estimated that this proposal would save $84,138,000 from current law estimates without reducing maintenance benefits to families. The funds requested will continue to assist States with the cost of maintaining eligible children in foster care and with the maintenance costs of children adopted under special conditions. Support for Child Welfare Services, Child Welfare Training, Child Welfare Research and Demonstration, Adoption Opportunities, and Social Services Research is requested as part of the generic Social Services appropriation request under the Human Development Services appropriation.

In addition, a fiscal year 1987 supplemental appropriation is requested for Foster Care and Adoption Assistance, both of which are currently open-ended entitlement programs. The request of $165,227,000 includes $127,184,000 for Foster Care and $38,043,000 for Adoption Assistance. The Administration proposes to partially offset the cost of this request by transferring $11,144,000 from Aging discretionary funds, reprogramming $45,000,000 from Independent Living and $22,500,000 from Child Welfare Services, and by transferring $43,583,000 from unobligated Title XX balances. The remaining amount would be financed through a requested $43,000,000 of new budget authority.

INTRODUCTION OF ASSOCIATES

Ms. ELDER. Thank you very much, Mr. Chairman. I'm really very pleased to appear before you today to discuss the fiscal 1988 budget request for programs administered by the Office of Human Development Services, and also the supplemental request for foster care and adoption assistance for fiscal year 1987.

I'm accompanied today by Dennis Williams, who is sitting to my right, the Department's Deputy Assistant Secretary for Budget, and to my left Norman Goldstein, Director of the Office of Management Services in the Office of Human Development Services.

FISCAL YEAR 1988 REQUEST

In terms of highlighting, let me just mention the three basic lines. Then Senator if there are some questions, I will be responsive to those questions.

For 1988, a total of $5,659,406,000 is requested to support a variety of social programs which serve children, youth and their families, the elderly, those who are developmentally disabled, and native Americans. Of the total requested, $2.7 billion is requested for the social services block grant appropriation; $2,277,366,000 is requested for the human development services appropriation, and $682,040,000 is requested for the family social services appropriation.

SOCIAL SERVICES BLOCK GRANT

A level of $2.7 billion is requested for the social services block grant to continue support for a variety of social services in each State. The amount requested represents the full authorization for this program in fiscal year 1988. Services which a State may choose to provide may include, but are not limited to, child and adult day care services, protective services, foster care, transportation, training, information and referral, counseling, delivery of meals, and health support.

HUMAN DEVELOPMENT SERVICES

A level of $2,277,366,000 is requested for the human development services appropriation. Of the amount requested, $2,209,842,000 is a generic request for all discretionary social service programs administered by the Office of Human Development Services.

Programs included in this request, Head Start, Child Abuse, Child Welfare, Runaway Youth, Aging, Developmental Disabilities, and the Native American Program will retain their separate statutory programs. These programs share common objectives, to help people maintain self-sufficiency, to lead productive lives, and overcome abuse and the need for institutionalization.

Of the funds requested, at least $1.151 billion would be allocated to Head Start, an increase of $20 million over the 1987 level and an increase of $110 million over the comparable 1986 level of support. Priority will also continue to be placed on child welfare services, aging services, and nutrition programs, developmental disabilities grant programs, and financial assistance grants for native Americans.

A request of $67,524,000 for program direction will support 1,025 FTE's, a decrease of 25 FTE's from the 1987 level.

FAMILY SOCIAL SERVICES

A level of $682,040,000 is requested for the family social services appropriation for the Foster Care and Adoption Assistance Programs. State administrative costs have increased 500 percent over the last 4 years. In 16 States, administrative costs have increased more than 1,000 percent.

Therefore, the administration has proposed legislation that will limit administrative and training payments to 50 percent of maintenance payments in the Foster Care and Adoption Assistance Programs.

FISCAL YEAR 1987 SUPPLEMENTAL REQUEST

In addition, a fiscal year 1987 supplemental appropriation is requested for foster care and adoption assistance, both of which are currently open-ended entitlement programs. The request of $165, 227,000 includes $127,184,000 for foster care and $38,043,000 for adoption assistance.

The administration proposes to partially offset the cost of this request by transferring $11,144,000 from aging discretionary funds, reprogramming $45 million from independent living, and $22,500,000 from child welfare services, and by transferring $43,583,000 from unobligated title XX balances. The remaining amount would be financed through a requested $43 million of new budget authority.

Thank you, Mr. Chairman. My colleagues and I will be happy to answer any questions you and the committee may have.

Senator CHILES. Thank you, Dr. Elder.

Ms. ELDER. You are very welcome.

EFFECT OF GENERIC REQUEST

Senator CHILES. Last year the President's budget recommended freezing appropriations for most programs authorized under the Older Americans Act. Congress responded by providing modest increases in social service and nutrition activities.

This year you are asking Congress to provide a blank check where some bureaucrat would fill in the amounts to be provided. What would prevent you or OMB from reducing funding to the levels requested last year, in effect negating congressional action?

Ms. ELDER. First of all I would like Mr. Goldstein to respond and then Mr. Williams in terms of giving you some background on the generic approach to our budget.

Mr. GOLDSTEIN. There are 26 categorical programs identified in the generic request. In many cases they are either directly related or indirectly related in terms of the populations, the overall purposes and so forth.

It was our view, having this number of programs, all having such a close relationship and tie-in made it difficult to determine what the social service policy of the country should be in the context of the dollar resources.

The approach that we took in developing a generic line item was to try to focus attention in terms of the overall dollar amount. In the context of the specific question that you raised, there would be room for some flexibility in terms of moving specific dollars among individual programs. However, you may be assured the aging programs will continue to have a very high priority within the Office of Human Development Services.

Additionally we recognize that there is room for the Congress to identify and help us in the prioritization process of how we would identify what specific numbers——

Senator CHILES. How?

Mr. GOLDSTEIN. Through the appropriation process, the report language process, or working with staffs. Obviously we would like some flexibility. We think that some of the priorities in this area tend to evolve and emerge, and we would like some flexibility in being able to target our resources, as appropriate, when those opportunities become available. But we certainly would not preclude the Congress from participating in that process.

Mr. WILLIAMS. I think I would just reemphasize the point that we are not trying to take away any of Congress' prerogatives. We are really trying to focus attention on the fact that there has been a proliferation in the last few years of the number of small, narrowly focused programs in this area. And we think that both the administration and the Congress ought to be spending its time looking at the broader social service priorities for the Nation, setting dollar amounts and funding necessary programs.

That is really what we are trying to say here. If the Congress directs us in report language to establish funding levels for any particular program, we obviously are prepared to carry that out. But our intention is to try to get everyone to focus on the larger picture and to try to put the brakes on the proliferation of some of these smaller, very narrowly focused programs.

Senator CHILES. Well, given what the history is of the Department and has been in recent years under stress I am sure from OMB, it is a little bit like the used car salesman coming in and saying just trust me, and you know just give us this broad authority, or the IRS agent, maybe it should be, and we will take care of all of these things.

And yet, Mr. Goldstein, you say that we are going to entertain Congress being able to express something about its wishes in this, we will entertain that. I think that you are going to find, if you had come in and said, we would like to take two of these programs, say they should be part of the same program, or we should experiment with that to see how that works, we would go in and look at something like that, you might find that Congress might be receptive to that.

But I think if you come before us and say, we want to put all of these programs together, we are going to lump them all together, I cannot believe that you seriously think Congress is going to entertain that.

Mr. GOLDSTEIN. Senator, this approach has sort of evolved over a period of years, and, in fact, as Mr. Williams has indicated, one of our purposes here was to try to get attention in the area of what the overall priorities, in terms of social services should be.

Just from a historical point of view, in fact, in past years we have submitted smaller consolidations of programs for that very purpose: to try to move in some small way away from the narrow categorical approaches. We think narrow categorical approaches impose an administrative burden on States, and become very inefficient in terms of overlap and interrelationships. Having tried the approach of the small mini-consolidations in the past years, we felt that this alternative approach might be considered as an option.

SUPPORT FOR AGING PROGRAMS

Senator CHILES.Well, the Administration on Aging, as you know, has a wide ranging responsibility, under the Older Americans Act, to represent the interests of all the people. And I am concerned that the Office of Human Development Services is not providing appropriate resources to the Administration on Aging in terms of staff and travel funds to carry out its administrative mandate, monitoring, controlling expenditures of aging funds.

In 1984, the Administration on Aging had 251 staff, now they have 175. It is my understanding that even a number of these were on administrative detail to other offices and human development divisions. How many of the reduced number of staff that remain today are on detail to these other human development service offices?

Ms. ELDER. I am not sure exactly what the number is, Senator, in terms of people that have been detailed from aging. But in responding to your concern, I am sure that you are aware that since 1981, across HDS there has been a decrease, a downsizing in terms of full-time equivalencies in that office.

I know of your concern about aging within the context of OHDS and be assured that a greater decrease has not been imposed on the Administration on Aging than that that has occurred throughout all of HDS in terms of full-time equivalency. And as you look at what we are recommending for the next year in terms of a decrease, in terms of 25 full-time equivalency, aging will not take a burden, if you will, in terms of the number of people that would leave that administration.

Basically what we are trying to do is work within the context of the full-time equivalencies that we are given, and manage what we are asked to manage by the Congress and to run those programs efficiently. I am very pleased with the work that is being done in the Administration on Aging. I think they are doing a magnificent job.

We have an excellent commissioner. We have very competetent people on board, and I am sure that they will continue to do the job that they have done very well since 1981.

AGING RESEARCH AND DEMONSTRATION

Senator CHILES. Well, we think they are working hard within what we have, but I have just received correspondence from Senators Stennis and Thurmond, concerning a proposal to cut research and demonstration projects one-half. That is the fourth year in a row the administration has proposed that, and each time the Congress has rejected that.

Is that the kind of cutback in the aging appropriation, is that an indication of what would happen if we give you this blank check authority, a so-called generic appropriation?

Ms. ELDER. Well, Senator, in terms of the cut in the research dollars. I think we have to look at that cut in the context of the whole issue of reprogramming to deal with the adoption assistance and foster care issues.

As I mentioned in my opening statement, we have talked about transferring, we have talked about reprogramming; we have also talked about the new budget authority. Basically what we did is look at the debt that we had, and try to figure out how best to respond.

The position that we took was that, rather than adding an additional $166 million to the Federal deficit, we are proposing to request from Congress only $43 million in new budget authority, and to offset the remaining $123 million with funds from lower priority areas. One of those was funds from the research and development line in aging, feeling very comfortable, working with staff, that we would continue to fund research that was of the highest priority, given that the priorities had been set down 3 years ago in our combined discretionary announcement in the Federal Register.

Also we felt that that level of $12.5 million was a sufficient level, given that that was in the President's budget the year before. I think that we have to look at that $12.5 million cut in relationship to the issue that we had to deal with.

Were we going to come up and ask for $166 million of new budget authority from Congress, and increase the budget deficit? Or were there ways that we could better manage within HDS?

We decided that we would look at opportunities to reprogram, to transfer, and to use some unobligated title XX money, and then come up to you with a new request for $43 million.

PROGRAMS TO BE GIVEN PRIORITY

Senator CHILES. Well, your budget justification on page 46 states that priority will continue to be placed on child welfare services, aging services, nutrition programs, developmental disability grant programs, financial assistance for native Americans, even though you are no longer requesting a specific appropriation for the activities.

Does that mean that these programs will not be cut? And if these programs are a priority, why can you not tell us how much you intend to spend on them?

Ms. ELDER. Those programs are of the highest priority when we look at this generic request.

Senator CHILES. Well if the listed priority programs were frozen at the fiscal 1987 level, and then if we gave Head Start a $20 million increase as stated in the budget request, I believe that there would be only $61 million to fund the remaining programs, which cost a $150 million in 1987.

Ms. ELDER. Right.

PROGRAMS TO BE REDUCED

Senator CHILES. So that is where the cuts would occur, in those remaining programs? They would be getting some 50 something to fund 100, is that what you are telling us?

Ms. ELDER. There are some programs that in fact might not be funded or might receive less funds. Is that the question, Senator?

Senator CHILES. Yes.

Ms. ELDER. Yes; that is true.

Senator CHILES. But you will not tell us those programs now. You are just sort of saying, trust us and let us do that, or you do not yet, maybe it is you do not really want to know what we are going to do when we have to take our axe out, so then you can say you did not know. Maybe that would be nice, you know. We could say we did not know what they were going to do.

Mr. GOLDSTEIN. Well, the largest portion of that amount is in the independent living area. We are talking about repealing independent living and not reauthorizing dependent care programs. So, in the context of the dollars, the differences are not quite as significant as what you are alluding to.

Nonetheless, there would have to be some adjustments, as you indicated.

REPROGRAMMING OF AGING DISCRETIONARY FUNDS

Senator CHILES. Well, then my arithmetic is not entirely wrong. There have to be some major adjustments. Doctor, in your budget request, you propose reprogramming $12.5 million in fiscal 1987 funds from title IV of the Older Americans Act, to support foster care for children.

Ms. ELDER. Right. And it would also pay for the January 1987 pay raise.

Senator CHILES. Do you still intend to request that reprogramming to go forward with that?

Ms. ELDER. Yes, sir; and again that was, when I shared with you, what we were looking at is not receiving the 1987 supplemental request the way we previously had to pay our bills, if you will, for foster care and adoption assistance. Remember that these are appropriated entitlement programs, and after States spend that money they send us a bill.

We are trying to figure out how best to pay that bill. The request is $166 million. Rather than adding that $166 million to the Federal deficit, we proposed to request about $43 million in new budget authority plus the authority to do some reprogramming and some transfering.

One part of the proposal is to transfer $11,144,000 from aging research, training, and discretionary activities. There is also a proposal to transfer funds from title XX unobligated balances. We also propose reprogramming from the Child Welfare Services Program, and as Mr. Goldsmith indicated, we would reprogram from independent living.

If we add those figures together, then the new budget authority only is $43 million rather than $166 million. That is our strategy in terms of the budget.

FOSTER CARE SUPPLEMENTAL REQUEST

Senator CHILES. Well, CBO tells us the foster care supplemental is an entitlement and that it is already assumed in the budget resolution.

Ms. ELDER. Mr. Goldstein.

Mr. GOLDSTEIN. It is an appropriated entitlement. And we do have an obligation to pay those additional costs. The question was whether, in order to pay those additional costs, we should go for new budget authority, or try to work within the context of some of the existing authority.

SUPPORT FOR ALZHEIMER'S RESEARCH

Senator CHILES. Well, certainly we have not solved all the problems related to aging research. I mean, we are not saying that Alzheimer's is under control, and we have solved these problems.

Mr. GOLDSTEIN. We are not suggesting that.

Senator CHILES. And yet we are going to take money from those programs?

Mr. GOLDSTEIN. No; we continue to support projects related to Alzheimer's and elder abuse. We have, for example, in 1985 and 1986, funded 15 grants and something like $2 million in the Alzheimer's area. We expect to continue to award additional grants this year in the Alzheimer's area.

Basically what we are saying is that we are trying to do a better job of targeting so that the awards we make have the best opportunity for payoff. We are also working very closely with other organizations through interagency agreements, the National Institute of Aging, and others in addressing these issues.

And so it is by no means being neglected on our part.

Senator CHILES. Well it seems like next to AIDS, Alzheimer's disease is the greatest concern that people have. Certainly anybody that is approaching old age.

Mr. GOLDSTEIN. Absolutely.

Senator CHILES. Any kind of signal that we are not concerned is the worst concern. The other concern I have is that we may be pitting these programs against each other. Are we saying we are going to take money from the elderly to take care of the young, or are we going to take money from some young people's program and take care of the elderly.

We are almost trying to start a generational conflict.

Mr. GOLDSTEIN. We are approaching this, not from the point of view of not giving emphasis to all of these very significant concerns but trying to focus and target and get the biggest payoff we can with the resources we have available.

Mr. WILLIAMS. Senator, I would also point out that we are spending substantial funds on Alzheimer's research in NIH and other parts of the Department's budget, and not just in the Office of Human Development Services.

Senator CHILES. Senator Weicker.

EFFECT OF BUDGET REQUEST

Senator WEICKER. Well, we will have to see what that budget is all about. I am going to be very hard pressed to agree with funding levels requested in years past, which have been minimal in light of the problem, at least insofar as the aging are concerned. I think the questions that were asked by the distinguished chairman are right on the mark.

Now first of all if we use all these great terms about targeting and more bang for the buck, all these are used to justify an overall cut of $67 million. Now that is a lot of money. It is a lot of money especially in a budget that has not grown at all. Or if it has grown it has been due to the assistance of Congress.

I do not want to get ahead of myself, and I am going to get into some of the same things that the chairman asked. First of all, let us get to this business of the generic appropriation—a promise if you will, rather than funding for these programs on a line-item basis.

Traditionally in this group there are programs that come under the generic category. The administration has zeroed-out child abuse State grants, child abuse discretionary activities, child abuse challenge grants, family violence grants, dependent care, living and development grants, developmental disability special projects. Those have traditionally been asked to be zeroed out by the administration.

FISCAL YEAR 1988 REQUEST TO OMB

Incidentally, there is nothing personal in this, and indeed I support Dr. Elder's nomination to be an Assistant Secretary. I want it clear that she has my personal support. But believe me, I have seen every ploy known to man legislatively used by this administration on health and human services budgets. And I am not going to be fooled by this one any more than I was by ones in the past.

First question, what was the fiscal year 1988 budget request for the Department for the Office of Human Development Services to OMB? What was the request originally?

Mr. WILLIAMS. I do not have the request of the Department, but the request to OMB for this appropriation was $1,986,000,000 for the human development services.

Senator WEICKER. That is $1,986,000,000? All right, did it include age—you asked for a generic appropriation or did you request separate dollar amounts for each program?

Mr. WILLIAMS. We asked for separate dollar amounts for each program.

FISCAL YEAR 1988 REQUEST TO CONGRESS

Senator WEICKER. Now I will tell you why I am a little leery of any promise made as to what is going to apply to any program, and I would hope that this committee would reject this approach. I will give you a very simple example.

Last year we passed in the Congress an early intervention program. It passed the House, it passed the Senate, and was signed into law by the President; $50 million was appropriated for that program, and signed into law by the President. And one of the requests is to rescind that $50 million and the program is considered inappropriate. Was that not the term used? I think that was the term used in the year 1987.

Senator CHILES. That sounds like drug programs.

Senator WEICKER. It is exactly the same thing. I cannot take anybody's word on a generic appropriation. As I say, indeed, within a matter of months of something being signed into law and agreed to—and I might add, we are not all naive in this room. When I say agreed to I mean hard negotiations between myself and the administration—hard negotiations on that item, both as to the law and as to the appropriation—and within 6 months, out the window.

And so, I certainly, for one, am not prepared to go ahead and agree to this generic appropriation, where we put ourselves even more so at the mercy of the administration. Whatever explanation we choose to give, the fact is the shortfall, the losses achieved by eliminating the increase approved in last year's bill for child welfare services, aging research, et cetera, and then eliminating all funds for independent living programs to help foster children, et cetera.

I think the chairman again put it so well. Why do we have to set this conflict as between the weakest elements in our society and who gets their share of the pie? We have got money all over the place for the strong. He is the little kids and the old people—the weakest elements of our society. Why do we have to choose between these programs? Tell me why? Well, I think you told me why.

INDEPENDENT LIVING

Senator CHILES. Well, the same thing last year. Congress created the Foster Care Program to help older youth prepare for independent living when they reach 18. We funded it at $45 million, and now it is proposed to repeal this independent living legislation. There is no legal basis, but right now I understand you are refusing to spend the $45 million. It is an entitlement program, but yet you are going to wait to see whether Congress decides to repeal the program, is that right? I mean, we can pass the money, we can mandate the spending, and get it signed into law. And then they will not spend the money because we may decide to repeal the program. You are proposing that we repeal the program.

Mr. GOLDSTEIN. Yes; we are.

Senator CHILES. So once you propose that we repeal it, then you should not spend the money that we passed the year before. Is there any legal basis for not spending the money now?

Mr. WILLIAMS. I don't think it is quite accurate that we are not spending the money. We are taking steps now to get the program in operation. The program announcement, I think, was issued in January or February. We have asked States to apply for the money, and we are reviewing those applications. We are proceeding to implement the program.

Senator CHILES. You have notified us that you want to reprogram this money, have you not?

Mr. WILLIAMS. What we notified you is that we have submitted legislation to repeal this program. If that legislation is enacted, we would then come back to this committee and seek your authority to reprogram that money for other purposes.

Senator WEICKER. Well, again, the chairman will figure this out as I did. We are not legislators, we don't handle legislation. We are the Appropriations Committee.

Mr. WILLIAMS. We sent that legislation to the Senate Finance Committee.

Senator WEICKER. I understand that legislation has been sent, but we have nothing passed and the proper—and I hate to use the word—conservative fiscal planning would indicate that we act on what is the law, not on what people propose.

Ms. ELDER. Senator, in terms of what Mr. Williams has said, in fact we did publish in the Federal Register in January, and we are in the process of implementing that piece of legislation until we would be told that we would not.

OVERALL 1988 BUDGET REQUEST

Senator WEICKER. Well, I have no more questions because I think it really comes down to the old situation of the dollars being taken away. I mentioned the ones that the administration has zero funded.

Just for the record, we are also talking about Head Start, and child development, and these are not zero funded but they are the ones that we put ourselves at the mercy of the administration in terms of whatever their favorites happen to be, whether we want to spend the money or not, child development, associate scholarships, runaway and homeless, child welfare and services, child welfare training, child welfare research, adoption opportunities, social services research, aging supportive services, aging home delivered meals, aging grants, aging grants training discretionary funds, Federal Council of Aging, developmental disability State grants, developmental disability protection and advocacy grants, developmental disability university and affiliated facilities, native American financial assistance, native American training, native American research and demonstration projects.

And from all this group of programs, the first thing that happens is $67 million is taken away and then the second thing that happens is they are all lumped together, and these programs may or may not be funded by an administration that has shown a callous disregard for these categories of citizens.

And so I would hope that in the deliberations in the committee, No. 1, funds would be restored to this particular section of the budget, and certainly we would not give the administration any more discretion than it presently has, which is to take laws that are on the books that they have agreed to and to completely turn their back on those laws.

These are the elements of our society that the Federal Government was intended to assist. And these are the ones that are being, or have been largely, disregarded.

TWO YEAR APPROPRIATIONS

Senator CHILES. Senator Domenici.

Senator DOMENICI. Mr. Chairman, I only have a general question that I want to ask of the Department, and I will submit it through you and ask that they answer it.

Senator CHILES. I will have some questions for the record.

Senator DOMENICI. Basically, I would ask you to answer a question with reference to submitting a 2-year appropriation request instead of one, and how that would work in your Department. What percent of your appropriation seems to you to be reoccurring each year, lending some objectivity to an analysis of whether we might be able to do this once every 2 years instead of every year. I will submit that for your response. It will be the same for every one, and I would appreciate that.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. Thank you. I have some other questions that I think we can ask you for the record, and we thank you for coming.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

GENERIC REQUEST

Question. How does the Administration plan to coordinate the Social Services Block Grant and the proposed generic appropriation for social services?

Answer. The Social Services Block Grant and the separate programs proposed under the generic appropriation will be coordinated as in the past and decisions made by the Department and States will support each other.

The Social Services Block Grant is based on the principle that State and local governments and communities are responsible for determining the needs of their people, establishing priorities, and implementing programs at the local level directed toward achieving self-sufficiency and reducing the need for social services. Each State is responsible for determining the services to be provided and the categories and characteristics of persons eligible for the services.

Under the generic appropriation, the Administration and the State will continue to operate separate programs under their separate statutory authorities. The Administration will establish funding priorities for the separate programs included in the proposed generic appropriation based on program expertise. In responding to national priorities and initiatives we expect that the Administration's decisions will support and have a complementary effect on State priorities and decisions and vice-versa.

Question. Why was the Social Services Block Grant not included in the generic appropriation for social services?

Answer. The Social Services Block Grant is an appropriated entitlement program. If a State meets the statutory requirements, it is entitled to its share of the funds appropriated by Congress. In contrast, none of the twenty-six programs covered under the generic appropriation request are entitlement programs and the intent of the generic request is not to create a block grant. Individual programs will continue to exist under current authorizing statutes.

"BLANK CHECK" FOR HUMAN DEVELOPMENT PROGRAMS

Question. Suppose Congress were to grant you the authority you seek to set funding levels for 26 Human Development Programs. How would you divide up the funds?

Answer. The Administration invites the Congress to selectively indicate priority areas for funding. To the extent that the Congress does not earmark, the Administration would use its program expertise to determine individual program levels within the total appropriated by the Congress.

Question. Who will make the specific funding decisions — OMB?

Answer. The Assistant Secretary for Human Development Services would make the decisions regarding specific funding levels, with normal review by the Department and OMB through the apportionment process. Congress would be informed immediately once specific funding determinations are made.

Question. Which programs would get cut or eliminated?

Answer. Specific dollar levels for the programs included in the generic request have not been determined. Decisions on the funding levels would be determined after Congress determines the total for Social Services Discretionary Programs.

Question. Why is Head Start singled out for an increase, instead of other programs serving children, the elderly and the handicapped?

Answer. Head Start is singled out because it is one of the priority areas within the Office Human Development Services. It is singled out in order to highlight the increase requested in FY 1988 for this program and to indicate how half of the $2.2 billion requested would be spent. The budget also indicates that other children's programs, programs for the elderly, and programs for the handicapped will continue to be priorities.

HEAD START BILL LANGUAGE ON UNEMPLOYMENT BENEFITS

Question. Why are you proposing bill language to classify Head Start personnel as employees of educational institutions for purposes of unemployment compensation?

Answer. The use of between-term unemployment compensation is costing Head Start programs $15.6 million in additional payments, according to a 1985 study by the Department's Office of Inspector General. We feel that the unemployment compensation system is intended to assist those persons who are unemployed and actively seeking work, not to supplement the salaries of those persons whose jobs are such that they are given a few months off each summer with the understanding that they will be re-employed in the fall. Moreover, it is inequitable that a few Head Start staff are able to collect between-term benefits while the majority are prohibited by law from collecting between-term benefits because their programs are operated by public school systems.

Question. How much will be saved by enacting this bill language?

Answer: Head Start programs are estimated to contribute $15.6 million more than is minimally necessary to State unemployment funds because of the high incidence of unemployment use. This $15.6 million would be saved if Head Start employees no longer received between-term unemployment benefits. The savings would not appear for two to three years due to the lag in the way payments to the State unemployment fund are made.

Question. Is this proposal being made to the authorizing committees?

Answer: Head Start is currently authorized through fiscal year 1990. In developing future requests for reauthorization we will give serious consideration to requesting this change in the reauthorization language.

TRANSFER OF FUNDS BETWEEN SUPPORTIVE AND NUTRITION SERVICES

Question. How many States transferred funds between the separate allotments for the supportive services and nutrition services up to the fully allowable percentage specified by the Older Americans Act for FY 1986?

Answer. None of the States transferred funds between the separate allotments up to the full percentage allowable as specified by the Older Americans Act for FY 1986.

Question. In what amounts were these transfers made?

Answer. The amounts transferred from supportive services to nutrition services totaled approximately $513 thousand, and the amounts transferred from nutrition services to supportive services totaled approximately $21 million.

REPROGRAMMING OF AGING DISCRETIONARY FUNDS

Question. Why are you proposing to transfer FY 1987 appropriated funds to pay for the 1987 Federal employee pay raise and the Federal Employees' Retirement System, and to support Family Social Services?

Answer. The Department proposed these transfers consistent with the policy of reducing non-service programs in order to maintain service programs. After the transfer, there will still be $12.5 million available to fund high quality aging research, in addition to other aging research efforts throughout HHS, including HCFA, NIA, HRSA, and ADAMHA.

Question. How will this proposed reprogramming affect research, demonstration, and training initiatives of the Administration on Aging?

Answer. While the Department has proposed to transfer Aging Title IV funding, the Aging priority areas would continue to receive funding. Approximately $6 million of the $12.5 million remaining in Title IV would be used to fund continuation grants. The remaining $6.5 million would be used to fund new grants in FY 1988.

DISTRIBUTION OF GENERIC REQUEST

Question. What criteria would the Administration use to distribute funds to the various social service programs under the proposed appropriation?

Answer. Under the generic appropriation, to the degree that Congress does not earmark funding, the Department would use its program expertise to establish priorities and determine specific funding levels and initiatives to take advantage of emerging opportunities to best serve its populations.

Priority will continue to be placed on Head Start, Child Welfare Services, Aging service and nutrition programs, Developmental Disabilities grant programs, and financial assistance grants for Native Americans. At least $1.151 billion of the total request, for example, would be allocated to the Head Start program to assist local community groups in offering comprehensive services to low-income, pre-school children and their families. This represents an increase of $20 million over the 1987 level, which is $90 million above the 1986 level.

Another major focus within the existing program areas will be the Youth 2000 initiative. This inter-departmental effort will focus on the problems youth and their families face today and are expected to face in the next decade. The broad goals of this initiative are to increase and promote responsible family formation, lifestyles free of substance abuse, increased independence, reduced mortality rates, and improved educational performance.

Other priority activities will include those smaller programs for which other Federal funding sources already exist. Such programs include child abuse challenge grants, child development associate scholarships, family violence grants, and dependent care planning grants.

Question. Under the generic appropriation, what assurance would the Congress have that the Administration would maintain the visibility and effectiveness of the various programs that currently receive separate appropriations?

Answer. Each of the programs funded under the generic appropriation will continue to operate as they have in the past and in full accord with the authorizing statutes.

Priority will continue to be placed on Head Start, Child Welfare Services, Aging service and nutrition programs, Developmental Disabilities grant programs and financial assistance grants for Native Americans. An increase of $20 million over the comparable 1987 level is proposed for Head Start. Research and demonstration activities to support all vulnerable populations served by social service programs will be continued.

Question. Congressional hearings and communication with constituents help guide current decision-making regarding appropriations for social service programs. What opportunities would the Administration provide for public in-put to the funding process under the generic appropriation?

Answer. Decisions regarding funding levels of individual programs will be based on priorities set using the expertise within the Department. The Department is continually in contact with many public interest groups and grantees to determine the current interests and needs of different populations.

GENERIC REQUEST

Question. What would be the funding levels in FY 1988 under the generic request for programs you have proposed in past years to repeal (but which requests Congress has not enacted)?

Answer. Specific funding levels have not yet been determined. The Administration has indicated, however, that it is requesting that Congress repeal the Child Abuse Challenge Grants because it is estimated that in 1987 50 states will have already established either trust funds or other mechanisms for the collection of funds to be used for child abuse activities. In addition, there are other programs in the Office of Human Development Services (Social Services Block Grant, Child Abuse State Grants) that support similar activities. No proposal to extend expiring Family Violence Legislation is included in the 1988 budget request. Again, there are other sources of funding for these activities.

FOSTER CARE, INDEPENDENT LIVING, AND ADOPTION ASSISTANCE (TITLE IV-E, SOCIAL SECURITY ACT)

Question. How do you propose to control State administrative costs for the foster care program and what are the anticipated savings if your proposal is implemented?

Answer. The Department has submitted a legislative proposal to limit the amount of reimbursement for State administation and training expenditures to 50 percent of the amount reimbursed for foster care maintenance payments. The proposal aims at avoiding reimbursement of excessive administrative and training costs beyond what is needed to effectively place and monitor foster care children. Administrative costs have increased 500 percent since FY 1981. Sixteen States have increased administrative claims by over 1000 percent since FY 1981. Four States claimed more for administrative than for maintenance in FY 1985.

We estimate the savings to be:

$ Millions				
FY 1988	FY 1989	FY 1990	FY 1991	FY 1992
72.7	81.3	86.2	87.3	84.3

Question. Do you anticipate that the claims for foster care expenditures will decrease in future years? How will this be accomplished, since the average monthly number of children in foster care has been increasing?

Answer. We anticipate that our reimbursement of administrative claims for foster care will decrease in fiscal year 1988 because of our legislative proposal, but that the reimbursement will then increase annually. We estimate that these increases will be substantially less than they would be if our legislative proposal does not become law. Reimbursement of maintenance payments made to families and institutions on behalf of children, however, are expected to increase in Fiscal Year 1988 and beyond, because they are not effected by our legislative proposal.

FOSTER CARE COSTS AND COMPLIANCE

State claims under the title IV-E foster care and adoption assistance programs have grown significantly since the programs began. It is argued that much of the increase in the claims under the foster care program is due to State administrative costs; the Administration is proposing legislation aimed at controlling these costs. The increases in adoption assistance apparently reflect an increase in the adoption of special needs children. States have up to 2 years to submit claims under both the foster care and adoption assistance programs and the Administration typically requests supplemental funding to cover the costs of these prior year claims. This year, the Administration is requesting a supplemental for both programs, to be partially offset by funds transferred from other programs.

Question. What data do you have on the costs of foster care?

Answer. We receive quarterly reports from States detailing Title IV-E claims for assistance payments, administration and training expenditures for Foster Care and Adoption Assistance. Included are data on the average monthly number of children for whom payments are made. For example, in fiscal year 1985, the Federal share of expenditures claimed by States and children for whom payments were claimed were as follows:

$ Millions			
Payments	Administration	Training	Total
$328	$154	$7	$490

The average monthly number of children was 108,000 in Fiscal Year 1985.

Question. What data do you have on States' compliance with required foster care protection?

Answer. Section 427 incentive funds are available to States that certify their eligibility for such funds. Currently, all States with the exception of Alaska, Hawaii, Massachusetts, Wyoming, Puerto Rico and the Virgin Islands are receiving Section 427 funds. These States presumably do not meet the required standards for protection since they have not certified that they do.

The Department of Health and Human Services reviews each State's eligibility for the first year the incentive funds are received, the subsequent year, and every third year thereafter to assure that States meet and continue to meet the requirements for eligibility for these funds.

Twelve States have successfully undergone a third-year (triennial) review. Twenty-eight States have passed a second-year (subsequent) review and five States have completed their initial reviews. Three States and jurisdictions (Ohio, California, and the District of Columbia) are in an initial review process. Two jurisdictions (Guam and the Marianna Islands) receive Section 427 funds under a consolidated funding authority.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

DEVELOPMENTAL DISABILITIES ACT

Question. Dr. Elder, has "OHDS" sent its recommendation to Congress for the reauthorization of the Developmental Disabilities Act?

Answer. Yes, a draft bill entitled the "Developmental Disabilities Assistance Amendments of 1987" was sent to Congress March 9, 1987.

Question. Do you propose eliminating any of the existing programs?

Answer. No, "OHDS" is not proposing to eliminate any of the existing programs. The authority remains for the Basic State grants, the Protection and Advocacy system, University Affiliated Facilities and Special Project grants.

Question. Are there any major changes proposed that this subcommittee should be aware of?

Answer. The draft bill proposed to extend authorization of appropriations for programs under the Act for three years, through FY 1990. One change proposed would amend the Act to add family support services as a priority service. Family support services would be defined as services designed to strengthen the role of the family as primary care-giver, and to support the well-being of families of persons with developmental disabilities. A second change includes a clarified definition of supported employment to stress competitive employment of developmentally disabled individuals at worksites where individuals without disabilities are employed. Also, the category of family representatives on State planning councils was broadened to include relatives or guardians of formerly institutionalized persons with developmental disabilities. This amendment is intended to expand the available pool of individuals eligible to serve on the councils.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

BUDGET REFORM

Question. Calls for budget reform are increasingly heard as budget deadlines are too often missed, important budget decisions are delayed, appropriation bills and other direct spending legislation are held up in committee, and omnibus spending bills take the place of timely and orderly consideration of individual bills. One procedural reform that is being considered is the two-year budget cycle where budget and appropriations matters would be considered in the first year, and authorizations and oversight would be undertaken in the second year. Would your Department favor a biennial budget process? What benefits would your Department achieve in a two-year appropriation cycle?

Answer. We definitely favor a biennial budget process. This year we have requested two-year appropriations for the following accounts:

- St. Elizabeths Hospital
- Retirement Pay and Medical Benefits for Commissioned Officers
- Grants to States for Medicaid
- Payments to Health Care Trust Funds
- Supplemental Security Income
- Special Benefits for Disabled Coal Miners
- Payments to Social Security Trust Funds
- Family Support Payments to States

In addition, we have also included in our FY 1988 budget a request for advanced appropriations for the National Institutes of Health to fund outyear commitments generated by the award of FY 1988 competing research project grants. This would reduce the grantee's annual uncertainties over the availability of funding for noncompeting awards because funds would then be available for the total project period of a research project grant at the time it is awarded. This should also permit better fiscal planning and grants management.

Two major benefits to be obtained from a two-year appropriation cycle would be:

- the considerable savings in staff hours expended in budget preparation, hearings, reviews, etc.; and

- the absence of the end-of-year continuing resolution problem in the first year of the two-year cycle.

Question. Approximately what proportion of your annual appropriation request would you consider simply repetitious of the previous year's submission?

Answer. Except for the changing considerations of each Administration, the legislative proposals that evolve, and the changing economic assumptions, the budgets are quite repetitious. It is our estimate that 75 percent of the data contained in each annual budget submission is duplicative from year to year.

Question. What difficulties can you foresee in preparing and submitting a two-year budget to the Congress?

Answer. We did not encounter any major difficulties in developing the budgets for those accounts that were targetted for the two-year appropriation process this year. We would hope that this two-year process would be extended to all our accounts. The process would be rather simple because we currently prepare outyear estimates for all our accounts. The major problem in two-year budgeting in the current environment is the Federal deficit and the Gramm-Rudman deficit target. If larger deficits than forecasted were to occur during the first year of the two-year budget cycle, it would most likely be necessary to revise the budget for the second year through a supplemental appropriation action.

HEALTH CARE FINANCING ADMINISTRATION

STATEMENT OF WILLIAM L. ROPER, M.D., ADMINISTRATOR

ACCOMPANIED BY:

LEE MOSEDALE, BUDGET DIRECTOR, HEALTH CARE FINANCING ADMINISTRATION

DENNIS P. WILLIAMS, ACTING DEPUTY ASSISTANT SECRETARY, BUDGET, DEPARTMENT OF HEALTH AND HUMAN SERVICES

PREPARED STATEMENT

Senator CHILES. We will now consider the budget request for the Health-Care Financing Administration. Our next witness this morning will be Dr. William Roper, the agency Administrator.

Dr. Roper, we would like to discuss several issues with you concerning the administration of the Medicare and Medicaid Programs. Some of our concerns include the agency's intention regarding prompt payment of Medicare claims.

We also would like to find out about the impact of the proposed catastrophic health insurance coverage on our entitlement programs. Another major concern of ours is the quality of care received by Medicare and Medicaid beneficiaries.

We look forward to discussing those issues with you. Do you have an opening statement?

Senator Weicker?

Senator WEICKER. No.

Senator CHILES. Why do you not introduce your associates and then proceed with the oral summary of your opening remarks, and your full statement will be included in the record.

[The statement follows:]

STATEMENT OF WILLIAM L. ROPER

Mr. Chairman and Members of the Subcommittee, I am pleased to be here today to present and explain the FY 1988 budget request of the Health Care Financing Administration. Through Medicare and Medicaid, millions of Americans gain access to needed health care that would not otherwise be available to them. In this group are the most vulnerable members of our society -- the elderly, the poor, and those with long-term disabilities. In FY 1988, we expect to finance quality health care for 52 million individuals, or almost one in five Americans.

Our budget this year reflects a continuation of this Administration's commitment to slowing the rate of growth in health care costs without compromising the quality of care. We are convinced that the best way to achieve these dual goals is to encourage innovative service delivery systems that can operate alongside traditional fee-for-service medicine in the marketplace. We want to build on our success with prepaid health care provided under risk contracts with HMOs and CMPs since 1985 and further expand beneficiary opportunities to elect private health plan coverage. This strategy is reflected throughout our budget request:

- in legislative proposals to broaden the range of plans eligible to participate and to create incentives for plan participation;

- in our request of funding for demonstration projects concerning alternative payment formulas and alternative types of plans such as preferred provider organizations; and

- in our request for funding of an aggressive public information campaign to increase beneficiary awareness of their new options.

While increased competition among providers will encourage greater efficiency and cost-consciousness, it will also require providers to maintain a high quality of service. Our budget request reflects a firm and unyielding commitment to quality care regardless of the organizational setting in which care is provided. This emphasis is evidenced in increased funding for an intensified health care quality review by the Peer Review Organizations, stepped up enforcement of conditions of provider participation through the State survey and certification process, and expansion of quality of care studies through HCFA's research program.

Against that backdrop, I would like to focus on the portion of our FY 1988 budget request that falls directly within the purview of this subcommittee.

Grants to States for Medicaid

We have requested $28.1 billion to fund benefits and administration of the Medicaid program, which will serve about 24 million low-income persons in FY 1988. The legislative changes we propose for later transmittal would reduce this request by about $1.3 billion, for a net total of $26.9 billion. Our current law request represents a $1.5 billion, or 5.6 percent increase over FY 1987 spending, while our legislative proposals would hold this increase to $224 million or 0.8 percent.

Consistent with our emphasis on developing alternative service delivery systems, we are proposing several initiatives to encourage States to make more use of health maintenance organizations and other forms of prepaid care. Under one proposal, beginning in FY 1988, States would be offered a higher match rate during a 3-year start-up period for each new capitation project. Other Medicaid proposals include a limit on the rate of increase in Federal assistance to the States for benefit costs, elimination of special administrative cost matching rates and tightened Federal controls over State financial management. Finally, we will propose a major infant health initiative to fund comprehensive case management and other services to pregnant women and teenagers who are at high risk of having low-birth-weight children. This would be done through demonstration projects coordinated with various Federal health service delivery programs including Community Health Centers, the Maternal and Child Health Block Grant, and the Women, Infants, and Children program.

Payments to the Health Care Trust Funds

The account designated "Payments to the Health Care Trust Funds" encompasses various sums appropriated to the Medicare trust funds. Our FY 1988 current law request for this account is $25.6 billion, 23.1 percent higher than the comparable figure for FY 1987. Ninety-eight percent of this total, or $25.2 billion, represents the Federal general revenue contribution to the Supplementary Medical Insurance (Part B) program. We are also requesting $461 million for hospital insurance benefits for certain uninsured beneficiaries and $14 million for hospital insurance for certain uninsured Federal annuitants. Unlike previous years, military service credits are no longer reflected in the Payments account; this appropriation authority is now under the Department of Defense.

In an effort to return to an equitable balance between general revenue and premium funding, as originally intended in the 1965 law, we are proposing a reform of the Part B premium structure. Our proposal would leave the premium at 25 percent of program costs for all current enrollees, set it at 35 percent of costs for new enrollees beginning in 1988 and at 50 percent of costs for third party payers. Enactment of this proposal would reduce our FY 1988 appropriation request for this account by $571 million.

Program Management

The Program Management account, which provides funding for a variety of management activities related to the administration of Medicare and Medicaid, is the primary administrative vehicle for achieving the dual goals of ensuring quality of care and controlling costs. The total FY 1988 request of $1.5 billion is made up of $105.8 million appropriated from general funds and $1.4 billion authorized to be transferred from the Medicare trust funds. The Program Management request for FY 1988 encompasses the following activities:

1. Research

We are requesting a significant 28.6 percent increase in research funds --$36 million for FY 1988 as compared with $28 million for FY 1987. We estimate that a total of $19.6 million, or more than half of our FY 1988 request, will support Congressionally-mandated projects.

HCFA's research, demonstration and evaluation program is the single most important means we have to design and test innovative approaches to health care delivery and financing. It has been crucial in the development and refinement of the prospective payment system, coverage of health maintenance organizations and other major changes in the Medicare and Medicaid programs. Looking forward to likely future directions the programs may take, our research plans emphasize the encouragement of our prepaid health plan option, understanding the financing of services by physicians and other medical providers, refinement of the PPS system, basic research on outpatient services, and financing of Medicaid and long-term care. Priorities for the fiscal year include:

- studying the impact of the Medicare hospital prospective payment system on quality of care and access to care;
- expanding efforts to test the potential of capitated systems, including preferred provider organizations and negotiated provider agreements; and
- development and testing of alternative payment systems for skilled nursing facilities and other Medicare providers.

2. Medicare Contractors

Through the Medicare Contractor budget, HCFA ensures that beneficiaries receive prompt, accurate and courteous service on their claims while, at the same time, the interests of the taxpayers are protected. The contractor budget provides funding for operating costs incurred by Blue Cross and Blue Shield plans and other private health insurance companies that assist HCFA in administering the Medicare program. We are requesting a total of $1.1 billion to fund these contracts in FY 1988, $49 million above the program level for FY 1987. In addition, a contingency fund of $20 million is requested to cover unanticipated workload and operating costs that may result from legislative, regulatory and programmatic changes.

The FY 1988 budget request reflects a continued emphasis on strengthening payment safeguards, including audit and medical review activities. In FY 1988, HCFA again will focus on reviews to ensure that payment is made only for necessary and appropriate services provided in hospital outpatient departments, home health agencies, skilled nursing facilities, and by other providers. In addition, HCFA will continue to ensure that Medicare pays only for those services not covered by private insurance; this process will be expanded to include denial of Medicare payments for services provided to disabled beneficiaries covered by private insurance. We believe these safeguards will save an estimated $2.8 billion in FY 1988. These activities not only conserve trust fund dollars, but also provide an important means of making sure that appropriate and high quality care is provided to beneficiaries.

3. State Certification

Because the State Survey and Certification program is a key element in our quality of care emphasis for FY 1988, we are requesting a total of $123 million for this activity. These funds are used to support surveys of both institutional and noninstitutional providers rendering health care services to Medicare and Medicaid patients. State surveyors must certify that providers meet specified quality and safety standards or seek immediate corrective action. In addition to the $54 million current law amount required for Medicaid survey and certification which is included in the Grants to States for Medicaid appropriation request, we have requested $69 million for Medicare State survey and certification, an increase of 19 percent over the FY 1987 program level.

Our FY 1988 request provides for overall survey coverage of about 76 percent of the providers and suppliers participating in Medicare. We plan a substantial increase, from 53 percent to 75 percent, in surveys of home health agencies to take account of the large increase in use of these facilities since the Omnibus Budget Reconciliation Act of 1980 liberalized the home health agency rules. Funds budgeted in 1988 will ensure that facilities with deficiencies on previous surveys will receive appropriate follow-up. In addition, the requested funding level will allow: adoption of many of the Institute of Medicine study recommendations; strengthening of program enforcement through the use of intermediate sanctions against providers out of compliance with program conditions (yet posing no immediate health or safety threat); enhancement of data bases; and improvements in surveyor proficiency through innovative training. We are also working to improve survey instruments, especially by focusing on patient outcomes, the best measure of quality of care.

4. End Stage Renal Disease (ESRD) Network Organizations

The purpose of the ESRD Network Organizations is to promote quality assurance and the effective utilization of resources in the delivery of kidney dialysis and transplantation services. The Omnibus Budget Reconciliation Act of 1986 removed funding of the network organizations from the appropriations process. Effective January 1, 1987, these organizations are funded through a reduction of $.50 in the composite rate payments made for treatments in the respective network areas. We anticipate that $5.4 million will be available to fund these organizations in calendar year 1987.

Although the network organizations are no longer funded through annual appropriations, the FY 1987 Continuing Resolution (P.L. 99-500 and P.L. 99-591) had provided $3.4 million in the Program Management account for these organizations. The Administration is proposing to reprogram these funds to the Administrative Costs activity to cover the cost of the FY 1987 pay raise.

5. Administrative Costs

The Administrative Costs budget activity provides the necessary operating funds to enable HCFA to carry out its program responsibilities. To carry out these functions, we have requested $262.8 million for FY 1988. This amount represents an 8 percent increase over the FY 1987 appropriation. We are seeking increased funding for three major purposes:

1) a major and long overdue upgrading of information systems management in HCFA, which will cost a total of $15.5 million in FY 1988 ($9.5 million more than in FY 1987);

2) funding of the new Federal Employee Retirement System of $10.2 million ($7.5 million more than in FY 1987); and

3) contracts costing $3.5 million associated with Medicaid fiscal oversight activities and HMO qualification efforts (not included in the FY 1987 budget).

A total of $173 million is included in the FY 1988 budget request to fund 3,750 full-time equivalent (FTE) positions, a decrease of 105 FTEs from FY 1987. Productivity gains through automation and management improvements will permit us to do our job with fewer positions. The FTE reduction will be accomplished through attrition; staffing resources will be internally reallocated by selectively choosing which vacancies will be filled.

Conclusion

In summary, we have prepared a budget request for FY 1988 that targets resources on the Health Care Financing Administration's highest priority missions. At the top of that priority list is ensuring that continued quality care for beneficiaries accompanies the rapid pace of change in the health care industry. Some of this change results from our own legislative and regulatory initiatives aimed at encouraging efficiency in the delivery of health care and realism in the pricing of medical services. We have achieved considerable success on that front, primarily through the prospective payment system for reimbursement of hospital costs.

Clearly, further changes are on the horizon. We hope for early and favorable consideration of the Administration's acute catastrophic illness proposals. In the current programs, major issues also continue to demand attention. The cost of the Medicare Part B program through which we pay for physicians' services, outpatient hospital services, medical supplies, some home health services, and certain other services, continues to rise at an alarming rate. Benefit costs are projected to rise by 10.0 percent in FY 1988, even with the Administration's legislative initiatives to incorporate reimbursement to certain hospital-based physicians in the prospective payment system and other physician payment reforms. The cost of the Medicaid program also continues to rise sharply during a period of low inflation.

We were well aware of all these issues when preparing our budget request for FY 1988. We have worked diligently to be forward looking and to reflect a vision of health care financing for the future in America. Prominent among the changes we anticipate is a major shift toward prepaid and capitated health care financing and away from the costly and inefficient arrangements of the past. We are enthusiastic at the prospect of offering beneficiaries a wider choice of health care packages, which will help keep costs down and quality of care up.

This concludes my statement, Mr. Chairman. I will be happy to respond to any questions you or other members of the subcommittee may have.

BIOGRAPHY OF WILLIAM L. ROPER

William L. Roper, M.D., was sworn in as the fifth administrator of the Health Care Financing Administration May 12, 1986. He was nominated by President Reagan March 17, 1986, and confirmed by the Senate May 8, 1986.

As administrator of HCFA, Roper is responsible for the overall executive leadership, direction and coordination of all federal health care financing programs under Title XVIII (Medicare), Title XIX (Medicaid) and Title XI (Peer Reviews).

Roper comes to HHS from the White House where since 1983 he had been a special assistant to the President for health policy.

Roper was born in Birmingham, Ala., July 6, 1948. He received an associate of arts degree from Florida College in 1968; bachelor of science degree from the University of Alabama, 1970; his M.D. from the University of Alabama School of Medicine, where he was president of his class all four years, in 1974; and his M.P.H. from that institution's School of Public Health in 1981. He is board certified in pediatrics (1979) and in preventive medicine (1982), and is licensed to practice medicine in Alabama.

A Phi Beta Kappa, he was a State Merit Scholar and president of Alpha of Alabama Chapter, Alpha Omega Alpha.

From 1977 to 1983, Roper was health officer of the Jefferson County Department of Health in Birmingham, serving also from 1981 as assistant state health officer. Between 1979-1983, he served in several positions on the faculty of the University of Alabama at Birmingham in the School of Public Health, Department of Pediatrics, and the Graduate Program in Hospital and Health Administration.

On leave from his Alabama health position, he was a White House Fellow in the White House Office of Policy Development from 1982 to 1983 with responsibility for health policy.

Roper is a member of the Medical Association of the State of Alabama, the American Medical Association, the American Academy of Pediatrics and the American Public Health Association.

He has authored and co-authored articles on medical and health issues.

Roper resides with his wife Maryann Roper, a pediatric oncologist, in Arlington, Va.

OVERVIEW OF FISCAL YEAR 1988 BUDGET REQUEST

Dr. ROPER. Thank you Senator. I am pleased to be here. Lee Mosedale, head of our Budget Office, and I look forward to talking with you. What I propose to do is to give you a brief overview of our proposals for fiscal year 1988 for the Medicare and Medicaid Programs.

I am pleased to hear you highlight your interest in quality of care. A point I have made repeatedly in the 10 months I have been Administrator of HCFA is that my highest priority, and that of Secretary Bowen, is to not only maintain but to enhance the quality of care in our programs, Medicare and Medicaid. In addition to that high priority, my other major goals are to continue our work on using private health plans as an option for Medicare enrollees, and to work further to strengthen how we manage HCFA as an agency. A point I often make is that if our beneficiaries are owed quality health services, the people we do business are owed treatment as fair business partners. I look forward to discussing that with you.

MEDICAID

Let me briefly summarize the items that are directly within the purview of this subcommittee, beginning with grants to States for Medicaid. We have requested $28.1 billion to fund benefits and administration of the Medicaid Program, which will serve about 24 million low-income persons in fiscal 1988. The legislative proposals we will submit shortly will reduce this request by about $1.3 billion, for a net total of $26.9 billion, an increase of less than 1 percent over fiscal year 1987 spending. Consistent with our emphasis on developing alternative delivery systems, we are proposing several initiatives to encourage States to make more use of health maintenance organizations and other prepaid health care organizations in their Medicaid programs. We are also proposing a major infant health initiative to fund comprehensive case management and other services to pregnant women and teenagers who are high risk for low birth weight children.

PAYMENT TO THE HEALTH CARE TRUST FUNDS

A second important part of our request is entitled, payments to the health care trust funds. This is the funding from general revenues that is appropriated to the two Medicare trust funds. It shows an amount for fiscal year 1988 of $25.6 billion, an increase of 23 percent over the prior year. There is a technical explanation for that rather dramatic increase, and I would be glad to provide it if you so desire.

In an effort to return to an equitable balance between premium and general revenue support of part B of Medicare, we are putting forward a proposal to increase the premium for new enrollees, that is people not yet on Medicare, to 35 percent of program costs. It would remain at 25 percent for current enrollees, and increase to 50 percent for those whose premium costs are paid by third parties.

PROGRAM MANAGEMENT

The "Program management" account provides funding for a variety of management activities, related to the administration of Medicare and Medicaid. It is the primary administrative vehicle for achieving the dual goals of assuring quality care and controlling costs. For fiscal year 1988 we have requested $1.5 billion.

RESEARCH

The first subpart of program management is research. We are requesting a significant, almost 30 percent, increase in research, to $36 million for next year. I would point out that $20 million of this $36 million will go to support congressionally mandated projects, studies that we are doing at the Congress' direction. HCFA's Research, Demonstration, and Evaluation Program is the single most important means we have for designing and testing innovative approaches to health care delivery and financing. Our priorities for the coming fiscal year are: continuing to study the impact of the Medicare hospital prospective payment system on quality and access; expanding our efforts to test the potential of prepaid capitated payment systems; and developing and testing alternative payment systems for skilled nursing facilities and other Medicare and Medicaid providers.

MEDICARE CONTRACTORS

Through the Medicare contractor budget, HCFA ensures that beneficiaries receive prompt, accurate, and courteous service on their claims while, at the same time, protecting the interests of the taxpayers. We are requesting a total of $1.1 billion to fund Medicare contractor costs next year, an increase of $49 million over the fiscal year 1987 program level. This budget request reflects a continued emphasis on strengthening payment safeguards, including audit and medical review activities.

SURVEY AND CERTIFICATION

The State Survey and Certification Program is a key element in our focus on quality of care. We are requesting a total of $123 million for next year, a vitally important part of our plan for ensuring quality care in Medicare and Medicaid. We plan to push forward on a number of new fronts this year, including putting in place a number of the recommendations that the Institute of Medicine has given us for nursing home regulatory reform.

END-STAGE RENAL DISEASE NETWORK ORGANIZATIONS

The End-Stage Renal Disease Network Organizations are also funded through the "Program management" account, although no longer through the annual appropriations process. We anticipate that $5.4 million will be available to fund these organizations under the new funding arrangement put forward last year in OBRA.

ADMINISTRATIVE COSTS

And finally, the administrative costs for running this agency total $263 million for next year. Key items in our administrative cost request are a long overdue upgrading of our data systems, funding of the new Federal Employee Retirement System, and several important contracts that we have proposed.

CONCLUSION

In summary, let me just say that we think we have put forward a budget request that targets resources on our highest priority missions. At the top of that list is ensuring quality care for our beneficiaries in a time of rapid change in America's health care system.

As I said earlier, I am pleased to be here and I would be happy to respond to your questions.

Senator CHILES. Dr. Roper, I would like to followup with you an earlier discussion I had with Dr. Bowen. At that time I was told the Medicare contractors were waiting the release of the fiscal year 1987 contingency funds for claim processing. How much money was released and when was it released?

Dr. ROPER. In February, $41 million was released from the contingency fund. That leaves a balance of $9 million.

Senator CHILES. You told the Congress that there isn't any floor on the payment timeliness for fiscal year 1987. Is that correct?

Dr. ROPER. That is correct.

Senator CHILES. I have heard the contractor budgets assume a slowdown in average claim processing time from 16 days now to 20 days by the end of the year. Was there any agreement between you and OMB regarding a slowdown in payments as a condition of releasing the contingency fund, or is there a de facto floor that is being implemented through the contractor process?

Dr. ROPER. Senator, the matter of payment timeliness is something I personally have spent a lot of time on. I know that you and your colleagues are interested in the subject. Claims in 1986 were paid at 20 days, on average. And the agreement with OMB is to put in place payments during fiscal 1987 to keep that same 20-day average payment. We plan to monitor that carefully over the fiscal year. And Secretary Bowen in his testimony before you pledged to report to you any planned changes in our management of that program. But to highlight the point again, we plan to continue in 1987 the timeliness that was there in the last fiscal year.

Senator CHILES. Well, then, that goes back to whether there is a floor.

Dr. ROPER. There is not a floor at the present time.

Senator CHILES. Well, you are setting a defacto floor, are you not? You know, Congress legislated and said, do not go beyond 26 days. Congress wanted you to pay these claims as promptly as they possibly could be paid. But that was negotiated, if you remember, because at one time we had legislation which would have made that much lower. Twenty-two days, we were talking about. But after negotiation, we went into that on the basis that that would be the outside, and now we see that a floor is being put in.

Dr. ROPER. A floor has not been put in. What we are doing is monitoring the timeliness under the current arrangement.

Senator CHILES. Well, you have two spigots here. And one spigot is what you absolutely say should be the period of time, and the other spigot is what you are going to allow the contractors to be able to process. And so if you are turning that second spigot, you are putting a floor in with that spigot, are you not?

Dr. ROPER. If I am understanding your question, it is are we, through managing the money we give the contractors, slowing down claims.

Senator CHILES. That is right.

Dr. ROPER. A general point: the current law for 1987 requires us to pay 95 percent of clean claims within 30 days. We understand that and certainly want to pay more quickly than that.

Senator CHILES. Well, you have told us the contractors can pay the claims as fast as possible within their operating budgets. Now you are going to cut those operating budgets down.

Dr. ROPER. We have given them more money.

Senator CHILES. You have given them more, but you have held back part of that.

Dr. ROPER. We think it is prudent to have at least a small amount of money in our contingency fund.

Senator CHILES. Well, then, that also is part of what is necessary to make sure that spigot does not allow that you get more than 20 days, to pay them in under 20 days.

Dr. ROPER. I understand your question.

Senator CHILES. Well, I think you understand my question. I think you are hating to answer it, Dr. Roper. I think at some stage I think you have got to go on and fess up that you are operating on two tracks and you have got the second spigot. I mean I assume you have been told to do that by OMB, that that is part of the deal, that we are going to go up to 20 days.

Dr. ROPER. Continue at 20 days.

Senator CHILES. Well, continue at 20 days. The historical norm was 15 to 16 days, was it not? In 1986, or pre-1986, in other words, you picked a benchmark of 1986, which again under directions from OMB I guess on high, you started telling contractors to slow down the payment of these claims.

You managed to do that some in 1986. Congress came in and said, wait a minute. We do not want this, we want to stop this. Legislated even to put the outside date, and said pay them as soon as possible. And now, you are selecting 1986 as being the benchmark date. That was not the historical average.

Dr. ROPER. The 1985 figure was 16 days for part A, and 20 days for part B. In 1986 it was 17 days for part A, and 23 days for part B. A point I would make, Senator, is that on average we are talking about a single figure, but that average covers up a wide dispersion across the various intermediaries and contractors across the country. We are attempting to give precision to a very imprecise concept.

Senator CHILES. Well, as you recall, the prompt payment legislation required, in fiscal year 1988, all clean claims be paid within 26 days. In a January 28 letter, the Office of Management and Budget said you should pay no bill sooner than 24 days.

Dr. ROPER. For next year.

Senator CHILES. For next year.

Dr. ROPER. That is right. That is our proposal.

Senator CHILES. What has been your response to that letter?

Dr. ROPER. Given the other pressures that we face in attempting to reach a budget that meets the Gramm-Rudman target, I think that it is a prudent way to make some economy in our budget. The tradeoffs are not against what we would like to do in the best of all worlds but rather what other cuts are required in the budget to achieve similar savings.

Senator CHILES. Well, do you feel that moving from 16 to 24 days is going to have an impact on those who receive the services?

Dr. ROPER. Beneficiaries who go to physicians who accept assignment will not be affected. Providers and beneficiaires with unassigned claims will experience a slight delay in payment relative to the OBRA schedule.

Senator CHILES. Will it not have an impact on all of them?

Dr. ROPER. No, sir; because almost 70 percent of our part B claims are assigned claims. The providers and beneficiaires with unassigned claims will experience a slight delay. However, we do not believe that the slight delay will impose a financial hardship. Again, I would suggest frankly that this is something that we substituted in lieu of cuts that you might like even less.

Senator CHILES. Well, we might like it even less but we might deal with it more openly than what we find here. Given your answer I don't see how you can explain what is happening in Florida.

Last January before you began your slow pay policy, we were getting about five complaints a week from beneficiaries. In May it reached about 190 a week, and as you know I held a hearing in Jacksonville, more funds were released to the intermediaries. Even then it continued upward and it peaked at about 493 complaints a week in late September.

When the results of the additional funding began to make a difference, we were down to about 100 complaints a week. Now these are from beneficiaries. And again you are proposing to raise the payment floor. I do not know how we can explain to these beneficiaries that they are not being affected or are not going to be affected.

Dr. ROPER. I would just have to look at the individual circumstances of each of those to give you a factual answer. But we are talking about millions and millions of claims that are being processed each month.

Senator CHILES. Well, can you tell me whether the number of physicians that are accepting assignment has gone down as a result of this.

Dr. ROPER. Not measurably. The number has stayed in the 70-percent range, and continues to be much the same.

Senator CHILES. Would you give me a specific answer on that for the record? Do you have that for the record?

Dr. ROPER. Yes, sir.

Senator CHILES. And you are saying it has not made any difference?

Dr. ROPER. I will be glad to give you that.

[The information follows:]

Our Medicare claims payment policy has not had an impact on the assignment rate. The overall assignment rate has increased from 56.4 percent in fiscal year 1984 to 67.7 percent in fiscal year 1985. As of January 1987, the assignment rate is 68.8 percent.

CLAIMS PAYMENT COMPLAINTS

Senator CHILES. My office has been flooded with real life examples of what your policy is doing. My main concern is the beneficiary, but I am also concerned about a number of small providers in Florida who are close to declaring bankruptcy because of slowdowns in claim payments.

I have a letter from a doctor's medical rentals corporation that says they have $127,000 in outstanding billings. Some of their claims go back as far as September 30, 1985.

A letter from a medical supply company that has $94,750 in outstanding bills. Some of them date back to December 1985. Those are just a few of the complaints.

Dr. ROPER. If I could answer you, there is no excuse on our part for claims going months and months and months. The current policy, as it is supposed to be working, is that 95 percent of clean claims are paid within 30 days, and 99 percent of all claims paid within 60 days. If there are claims languishing 1 year or more, we have a problem. Perhaps the providers that you mentioned are having difficulties submitting claims appropriately.

Senator CHILES. Well, what about the nonclean claims. If there is any problem then we can sit on those forever?

Dr. ROPER. No, sir; we want to deal with those equally expeditiously. It is our desire to pay all claims within 60 days.

Senator CHILES. Well, these same things that we are hearing from the medical supply company, that affects beneficiaries, you know, when they do not get their money or when they start going under, they start then requiring the beneficiaries to pay them cash and to dun them for it. And so it certainly affects them just as much as these others. Senator Weicker?

SAVINGS FROM ADMINISTRATION PROPOSALS

Senator WEICKER. Thank you very much, Mr. Chairman. Dr. Roper, as usual, the fiscal year 1988 budget request for the Health Care Financing Administration assumes a significant amount of proposed legislative changes. Some of these proposed changes are new ideas, others have been repeatedly proposed and repeatedly rejected by the Congress.

How much would HCFA need to add to its budget request if no legislative savings were sent?

Dr. ROPER. For Medicare, Medicaid or both?

Senator WEICKER. Both.

Dr. ROPER. Taking into account the effects of proposed law would reduce our budget request by $4.7 billion for Medicare and by $1.3 billion for Medicaid.

PLANNING FOR AIDS TREATMENT COSTS

Senator WEICKER. I am glad the budgeteers are here to hear this. In the Surgeon General's report on AIDS, Dr. Koop states that in the year 1991, an estimated 145,000 patients with AIDS will need help and supportive services at a total cost of between $8 and $16 billion.

The National Academy of Sciences report on AIDS states that most of the public funds for care of AIDS patients comes through the Medicaid Program. What actions have been taken to prepare for the large increase in the Medicaid costs that will occur during the next few years?

Dr. ROPER. We have established a task force within HCFA to focus on the AIDS question, and are studying not only what the future resource needs are going to be, but how we can work with the States to meet those needs most effectively. For example, we recently granted a waiver to the State of New Jersey, and are discussing a waiver with the State of New Mexico, so they can treat AIDS patients through their Medicare and Medicaid programs. Our estimate is that 23 percent of AIDS treatment costs in the future will be from the Medicaid Program. You are correct in pointing out that we face a public health and health care financing problem of monumental proportions.

Senator WEICKER. I am appreciative of the task force, but what are we doing fiscally to prepare for this?

Dr. ROPER. We are planning our budgets for future years.

Senator WEICKER. Is there anything in this budget? How much is in this budget?

Dr. ROPER. For 1988, it is $600 million. That is $300 million in Federal funds and $300 million in State funds.

Senator DOMENICI. That is new money?

Dr. ROPER. Well, sir, AIDS treatment costs are a part of the Medicaid Program. Planning for future expenditures for AIDS, as pressing and public an issue as that is, is a part of planning for overall expenditures under the Medicaid Program. Our actuaries are projecting those costs with and we are planning accordingly, but there is not a direct way of planning to spend more money for AIDS through Medicaid other than projecting what costs are likely to be.

Senator WEICKER. But it would seem to me that since the problem came on us with the suddenness that it did, you have been unable—through no fault of yours—to prepare for it in prior years.

So somewhere along this line—Senator Domenici is a better fiscal man than I am—it seems to me that some sort of lump sum has to go in there for the catchup, and then you can start preparing actuarily for it. Now, where does that take place? When is that event going to take place?

Dr. ROPER. Well, the spending by the States in the Medicaid Program will be what it will be. It is an entitlement program. Whatever expenditures are for payments to individual practitioners caring for Medicaid recipients with AIDS is the amount and we estimate that to be $600 million for the next fiscal year.

MEDICARE FOR AIDS PATIENTS

Senator WEICKER. I think you are going to be short on that, but we will see what happens. The National Academy of Sciences report on AIDS stated that Medicare serves only a small percentage of AIDS patients, because Medicare requires a 24-month waiting period. If you are under 65 and wish to be determined eligible for Medicare on the basis of a disability, this waiting period obviously is longer than the life expectancy of most persons diagnosed with AIDS.

Has HCFA considered proposing a change in the 24-month requirement for AIDS patients?

Dr. ROPER. No, sir; we have not, because this waiting period is an important part of the program that Congress included 15 years ago when the long-term disabled became eligible for Medicare benefits.

Senator WEICKER. Well, I understand it was important 15 years ago, but we have got a problem right now that is just of a few years vintage. You know as well as I do that these people do not last that long.

Dr. ROPER. It is particularly immediate in the public mind given AIDS, but this same 24-month waiting period has been there for all other conditions.

Senator WEICKER. Now, my gosh. So what do you suggest we do? I mean I cannot believe that that is not the answer. That cannot be the answer of this Government. They are supposed to have compassion for persons.

Dr. ROPER. Persons who are poor and are eligible for Medicaid will have their treatment costs paid for under the Medicaid Program. Many people who have the terrible misfortune to contract AIDS have private health insurance and will have their health care expenses paid for by that mechanism.

Senator WEICKER. Do you have any idea of how many AIDS patients are eligible for Medicare but are not receiving their share under the program?

Dr. ROPER. No, sir.

Senator DOMENICI. Will the Senator yield?

Senator WEICKER. Yes.

Senator DOMENICI. Doctor, on the same subject. Do you believe you are having any difficulty obtaining information with reference to AIDS treatment because of a lack of disclosure?

Dr. ROPER. I do not think so.

Senator DOMENICI. You know, the symptoms, as I understand it, clearly are symptoms that you would find in many other ailments. They are ailments from which people die. It is just that in AIDS the immunity is gone. So when you answer these kinds of questions I think one concern is are we getting sufficient information in the system to be able to make the projections that Senator Weicker is talking about, and your answer is yes?

Dr. ROPER. I think we are, sir.

Senator DOMENICI. Thank you, Senator Weicker.

Senator WEICKER. But are we preparing adequately at this time in a financial sense for the problem, as far as what is under your aegis.

Dr. ROPER. Yes, sir; I believe we are. But I share your concern because we as a nation face tremendous health care expenditures, public and private, as a result of the AIDS problem. It is something we are taking very seriously, and are planning for.

VOCATIONAL EDUCATION DISALLOWANCES

Senator WEICKER. Two more questions. For the last 2 years I have expressed my objections to the Inspector General's policy of disallowing the use of Medicaid funds for vocational educational activities in the intermediate care facilities for the mentally retarded. Through a series of letters between HCFA and the Inspector General and my office it was agreed that HCFA would not disallow the use of these funds until the applicable regulations are clarified by the courts, by revision of regulations, or by the Department of HHS guidelines.

Last year I was informed by Dr. Desmarais that HHS was appealing a district court decision to allow these activities to be reimbursed on Medicaid. What is the current status of the HHS program?

Dr. ROPER. Oral arguments were heard at the appellate level in October, and we have not yet had the decision from the court.

Senator WEICKER. Why does your budget justification still say that your Department will pursue disallowances for the use of Medicaid funds to provide vocational and educational activities offered in the ICF?

Dr. ROPER. We assume a favorable court of appeals ruling in our budget.

Senator WEICKER. But I thought this had been worked out, that it would not be disallowed.

Dr. ROPER. Senator, I would pledge to have my staff work with your staff to get an answer to that.

SURVEYS OF PSYCHIATRIC FACILITIES

Senator WEICKER. All right, now, the last question that I have has to do with when HCFA was directed in fiscal year 1986–87, to look at all psychiatric facilities certified to produce a Medicaid Program, to determine whether those facilities were in compliance with Federal standards. In hearings that I held, we learned of gross abuses in these institutions. Can you tell us how many facilities you have surveyed and generally what you found in regard to compliance?

Dr. ROPER. How many psychiatric facilities we surveyed?

Senator WEICKER. Yes.

Dr. ROPER. In fiscal 1986, we surveyed 46 percent. In fiscal 1987 we will survey 100 percent of them.

Senator WEICKER. What do you find the conditions to be?

Dr. ROPER. We found some with problems and we terminated some from the program. I will be glad to give you further elaboration on that.

Senator WEICKER. Well, I do want to pursue this and clearly you have the principal leverage in this area. I do not want to sit through another horror show like that which I sat through a couple years ago.

Dr. ROPER. We are aggressively pursuing this. I have to tell you that a number of States have complained to me about our being aggressive. We do not plan to change our strategy.

Senator WEICKER. Good.

Senator CHILES. Senator Domenici.

HOME HEALTH CARE DENIALS

Senator DOMENICI. Dr. Roper, when you came to my office many, many months ago before confirmation, we had a serious and lengthy discussion about HCFA as it pertained to some home health care disputes and appeals.

I continue to receive in New Mexico a series of complaints about denials, appeals through the administrative judge level, and then further appeals by the Government in many cases. I understand that the Government loses a significant percentage of these appeals. In one case, 85 percent of the HCFA denials were reversed by the first judge but were continued onto the next level of appeal.

Then even when that is all finished, HCFA does not pay more than the face value of the payment. They withhold the balance of the estimated overpayment. I have two specific cases in this predicament in New Mexico. Are you aware of this continuing problem?

Dr. ROPER. Yes, sir; the administration of the home health care benefit is something that we have spent a lot of time on. There are several related issues, Senator. One is the rather limited nature of the home care benefit under the Medicare Program, and people's quite understandable desire that more home care services be covered. We are working to, among other things, make sure that home care providers are fully educated on what the benefit is and how to submit their claims in a way that will not lead to denials. It is a problem and one that we are spending a lot of time working on.

Senator DOMENICI. Well, I wonder. You are aware that a number of these are nonprofit organizations?

Dr. ROPER. Yes, sir; in fact, I ran one for 5 years. I know all about them.

Senator DOMENICI. You are aware that they cannot really survive these enormous dry spells without any cash flow. While these appeals go on, it seems almost forever, even when HCFA loses the first round, there is another round. Do you have anybody looking at some way to solve this problem with at least some relief for the home health care delivery agent, instead of the ultimate desire on the part of HCFA or one of their agents of winning the case 5 years later, when the home health care nurses have already disappeared in Albuquerque or in Roswell, NM?

Dr. ROPER. To answer your question, we do. I have asked a number of people on our staff to work on simplifying administration so that we do not have continuing complaints of the sort that you describe. Home care denials continue to be an item of major concern.

The facts are that denials have risen from 3.5 percent in fiscal 1985 to 6 percent in fiscal 1986. Now, any increase is something that causes us to have concern. But the assertion that massive denials nationwide are wreaking havoc with the system is something that we do not have evidence of. As I have said, it is a personal concern of mine and we are working on this problem.

Senator DOMENICI. Well, of course, 3.5 to 6 percent is not wreaking havoc on the system, but it wreaks havoc on some.

Dr. ROPER. In individual circumstances it does, yes, sir.

Senator DOMENICI. It seems to me that it really wreaks havoc when there are only one or two home health care providers in a community.

Dr. ROPER. Especially in rural areas.

Senator DOMENICI. Especially in rural areas. I wonder if we might consider at least at some point in time in this horrendous appeals process at least saying: "OK, if the Government wants to proceed yet beyond the next round of appeals, at least they will pay something in the meantime."

I mean, that is not unheard of in this country. I do not know if you know it, but we pay a number of entitlement beneficiaries in this country after one round of appeal. We pay them what they are entitled to, and if 5 years later the final decision is to the contrary, the Government attempts to get their money back.

I mean, it just seems to me the system is not working well, when it takes so long to finalize a claim, and they do not get the money in the meantime. It is a way of putting them out of business. Could you take a look at some intervening step, where we could make a payment at some point, even if HCFA is in the process of appealing a ruling?

Dr. ROPER. I appreciate your suggestion. I will do that. Yes, sir.

Senator DOMENICI. Thank you very much. I have one additional technical question, Mr. Chairman, and I will submit it, and also the same 2-year budget question which I have asked you to pose on my behalf.

COST OF PROMPT CLAIMS PAYMENT

Senator CHILES. We will be happy to submit those for the record. Dr. Roper, the current law requires that clean claims be paid within 26 days. In your fiscal year 1988 request, it assumes a 30-day payment cycle.

Is your request for the Medicare contractors budget sufficient to carry out these current law requirements?

Dr. ROPER. To pay at 26 days?

Senator CHILES. That is right.

Dr. ROPER. Yes, sir.

Senator CHILES. How much additional funding would be required to pay the claims within 26 days and to continue the current average payment time of 16 days?

Dr. ROPER. To pay more rapidly requires an estimated $6 million in contractor expenses per day.

Senator CHILES. $6 million per day.

Dr. ROPER. In contractor costs, and $200 million in Medicare Program outlays, entitlement outlays. Your question was to go from 26 days to 16 days——

Senator CHILES. I am saying to stay with the average.

Dr. ROPER. Of 20 days.

Senator CHILES. To continue the average payment time of 16 days, which is where you are now. And you can give me that for the record, if there is some dispute about it because I would like to know what that is.

[The information follows:]

The current national average payment time is 20 days, not 16 days. The fiscal year 1988 administrative budget for Medicare contractors assumed that all clean claims would be paid within 26 days. Therefore, no additional funding would be required to maintain the current 20-day average.

RAP's RESEARCH FUNDING

Senator CHILES. For the first time in many years, you have requested an increase in your budget request for research and demonstrations, $8 million more than last year's $28 million appropriation. A large portion of that increase, $5 million, is to study physician payment reform. I understand that you will be looking at the inclusion of hospital based physicians, radiologists, anesthesiologists, and pathologists [RAP] into the prospective payment system.

What are your plans to research this proposal? What kind of data are you going to assemble? And what is your timeframe? How long will it take? What kind of resources? How much money are we talking about?

Dr. Roper. The $5 million of the $36 million request for research is dedicated to what we call the RAP's work. What is entailed is largely a computer-based data gathering effort to assemble information with respect to how much we pay for radiology, anesthesiology, and pathology services under the current hospital framework. Our timetable is to have this proposal ready to be implemented July 1, 1988, and that will require very vigorous effort on our part.

Senator Chiles. Well, I notice you have requested a $10 million supplemental for fiscal year 1987 for this same research proposal. Since most supplemental bills do not pass Congress until the summer, how do you propose to spend $10 million in approximately 3 months time?

Dr. Roper. The $10 million would go to support computer work, some of our personnel costs and other items. We are already beginning that work on the so-called RAP's proposal. It will be $10 million in addition to what we are already spending. It is not as if we were going to wait until you pass the $10 million to begin work.

Senator Chiles. Will you coordinate any of your efforts with the Physician Payment Review Commission?

Dr. Roper. I have met with Dr. Lee and members of the Commission, and yes, sir, we have already pledged to work together.

QUALITY OF HMO CARE

Senator Chiles. The administration would like to see more Medicare beneficiaries involved in health maintenance organizations. In exchange for a fixed per capita payment, health maintenance organizations provide a range of services that include physician care and hospitalization.

Many concerns have been raised about the oversight of the quality of care provided the Medicare beneficiary in a health maintenance organization. Last July, the General Accounting Office report listed several findings addressing the quality of care issue. It seems that legislative safeguards regarding financial solvency and beneficiary grievance procedures were not enforced. Furthermore, senior citizens complaints about inadequate care, long delays for appointments, unsatisfactory emergency treatment and other serious deficiencies. Since both Medicare and Medicaid are now moving toward enrolling beneficiaries in health maintenance organizations, how will you insure the quality of care that they are receiving? What standards of performance do you propose to monitor and who is going to monitor these organizations?

Dr. Roper. I would like to make a couple of points, if I could before I get to your main question. Our goal is to enhance the choice that Medicare beneficiaries have. It is not a goal simply to push people into private health plans, whether they are HMO's or others. Medicare beneficiaries ought always to have the choice to remain in traditional Medicare, if that is their desire. So our ultimate goal is expanding choice and opportunity for Medicare's beneficiaries.

You asked how we are going to insure quality——

Senator Chiles. Well, we all know that we think some money is going to be saved if people enroll in health maintenance organizations.

But we want to see that those organizations carry out their duties properly, and that there is quality of care, that there is accountability, that they do not turn up insolvent, and people get bilked out of their money.

So that is the responsibility of the Government, to see that we are doing that.

Dr. Roper. I could not agree with you more.

Senator Chiles. How are we going to monitor that? How will standards be——

Dr. Roper. Under the legislation that you all passed in COBRA and OBRA, we will shortly be implementing new quality reviews through the peer review organizations, assuring the quality of care in HMO's and in other competitive medical plans participating in Medicare. That is due to be implemented April 1, and we will be very near achieving that deadline.

Senator Chiles. As of April 1, there will be some standards?

Dr. Roper. Yes; a very detailed process that peer review organizations are going to carry forward.

Senator Chiles. And those standards will not apply just to health maintenance organizations, they will apply to other capitated health care providers?

Dr. Roper. In the Medicare Program, yes, sir. We will be a few days after April 1, implementing them but not many. We are going to be closer to on time on this one than just about anything we have ever done.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator Chiles. We have some other questions, but I think we will submit them for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

MEDICARE CONTRACTOR CONTINGENCY FUND

Dr. Roper, I would like to follow-up with you on an earlier discussion that I had with Dr. Bowen. At that time, I was told that the Medicare Contractors were awaiting the release of the Fiscal Year 1987 contingency fund for claims processing.

Question. How much money was released, and when was it released?

Answer. An amount of $41.1 million was released for obligation from the Medicare Contractor Contingency Fund on January 22, 1987.

You've told the Congress that there isn't any floor on payment timeliness for Fiscal Year 1987. Yet, I've heard that the contractor budgets assume a slowdown in average claims processing time from 16 days now to 20 days by the end of the year.

Question. Was there any agreement between you and the Office of Management and Budget (OMB) regarding a slowdown in payments as a condition of releasing the contingency funds? Is there a de-facto floor that is being implemented through the contractor process?

Answer. Our policy in FY 1987 is to pay "clean" claims within 30 days of receipt, and to allow Medicare Contractors to pay claims faster than 30 days if possible within their operating budgets. This policy will result in a national average claims payment time of 20 days. In fact, a portion of the contingency fund was recently apportioned to cover the costs of processing 21 million claims that were not anticipated at the time the budget was formulated and to fund a portion of the costs to implement the Omnibus Budget Reconciliation Act of 1986.

Question. What I want to find out from you is whether the Congress sets a 30-day or 26-day ceiling, will you require claims be held for a specified period of time? The issue here is what do we have to do to pay claims as fast as possible under contractor operating budgets?

Answer. For FY 1988, we are submitting a legislative proposal to retain the FY 1987 30-day standard for FY 1988, rather than going to the 26-day standard that would otherwise be required by the Omnibus Budget Reconciliation Act of 1986. If our 30-day proposal is enacted, we will establish for FY 1988 a floor on all claims of 28 days, that is, not pay any claims sooner than 28 days. If the proposal is not enacted, we will establish a floor of 24 days. Not only must we make difficult policy choices but this also conforms to sound business practices as embodied in the Prompt Payment Act.

Question. You've told us that contractors can pay claims as fast as possible within their operating budgets. If a contractor pays claims faster than the 20-day standard and stays within its operating budget, will it be penalized through the budget process or through performance evaluation?

Answer. Contractors will not be penalized through the budget process or through performance evaluation for paying claims faster than 20 days if they remain within their operating budgets. Some contractors will process claims faster than 20 days while other contractors may process claims slower than 20 days. This can be accounted for based on the diversities of claims volumes and claims types among contractors. The effect of this policy will be a national average claims payment rate of approximately 20 days.

For FY 1988 we will set a floor for contractor payment of claims.

CONTINGENCY FUND

Question. Is there sufficient money in the fiscal year 1987 appropriation to avoid a slowdown in claims processing? If not, why don't you release the remaining $9 million contingency fund?

Answer. There are sufficient funds in the FY 1987 appropriation to pay all "clean" claims within 30 days of receipt and to allow Medicare contractors to pay claims faster than 30 days if possible within their operating budgets. This policy will result in national average claims payment time approximating that which occurred during FY 1986, which was about 20 days.

PAYMENT OF CLAIMS

As you will recall, the prompt payment legislation requires that in fiscal year 1988 all clean claims be paid within 26 days. In a January 28th letter to you, the Office of Management and Budget (OMB) said that you should pay no bill sooner than 24 days.

Question. Is this true? What is your response? Are you going to appeal?

Answer. This statement reflects Administration policy. For FY 1988, we are submitting a legislative proposal to continue the 30-day standard set for FY 1987 and establish a floor of 28 days. If our proposal is not enacted, then we will set a floor of 24 days against the 26-day standard required by the Omnibus Budget Reconciliation Act of 1986.

The current law requires that clean claims be paid within 26 days. Your fiscal year 1988 request assumes a 30-day payment cycle.

Question. What do we have to do to get bills paid promptly?

Answer. We believe we are paying bills promptly. The current law, 30-day standard, is consistent with accepted business practice and represents sound fiscal management.

FY 1988 APPROPRIATION

Question. Is your request for the Medicare contractors budget sufficient to carry out those current law requirements?

Answer. We are submitting a legislative proposal to pay claims in 30 days rather than 26 days as required by current law. Our Program Management budget request is based on current law and provides sufficient funds to meet the 26-day standard.

PROMPT PAYMENT OF CLAIMS

Question. How much additional funding would be required to pay claims within 26 days and to continue the current average payment time of 16 days?

Answer. Currently the average payment time is 20 days instead of 16. As the FY 1988 Medicare Contractors' administrative budget was formulated based on current law assumptions, we believe our funding request fully supports an average claims payment time of approximately 20 days.

IMPACT OF SLOW-DOWN ON FLORIDA RESIDENTS

My office has been flooded with real-life examples of what your policy is doing. My main concern is the beneficiary, and I think we also have to be concerned about a number of the small providers I have seen in Florida who have been close to declaring bankruptcy because of the slowdown in claims payment.

I have a letter from the Doctors Medical Rentals Corporation which says that they have $127,000 in outstanding billings and that some of the claims date back as far as September 30, 1985.

I have a letter from the Medicare Supply Company that they have $94,750 in outstanding billings, some of which date back to December 1985.

These are just a few of the many complaints coming through my office.

Question. After hearing these examples, do you still think that your policy doesn't have any impact on beneficiaries or providers?

Answer. During FY 1986, Florida Blue Shield (FBS), the Part B contractor in Florida, had experienced considerable backlogs of claims and slow processing times. HCFA received numerous complaints. Additional Medicare funding was provided to the carrier to reduce its backlog and reach an acceptable processing time.

The problem appears to have been solved. Claims processing timeliness (CPT) data for October 1986 through December 1986 show that FBS has consistently exceeded the national average for the percentage of clean claims paid in 27 days, and in January 1987, FBS processed 95 percent of clean claims within 27 days.

FBS' processing of DME claims, however, while above the national average, is not currently meeting our CPT requirement for this category. We are working with all contractors not meeting the CPT requirements to minimize any potential adverse impact on beneficiaries or providers.

We will evaluate all contractors' performance against the 30 day standard starting with the February workload reports. We are committed to meeting these standards, and will take the appropriate steps to achieve the standards.

CATASTROPHIC HEALTH INSURANCE--FINANCING

Last month, the President endorsed the catastrophic health insurance plan developed by Secretary Bowen. A cornerstone of that plan is the self-financing feature. That is, the additional benefits will be covered by increasing the monthly premium by $4.92.

Question. Would the legislation, as proposed by the Department, be entirely self-financing through premiums?

Answer. Yes. The President's catastrophic health insurance proposal will be entirely financed on a "pay as you go" basis by Medicare beneficiaries. It will not impinge in any way on general revenues and does not require any new taxation of the current working population.

The proposed catastrophic health insurance program will specifically be financed with a reasonable addition to the existing monthly Supplemental Medical Insurance premium. All program and administrative costs will be financed by the premium.

UTILIZATION OF CATASTROPHIC BENEFIT

Question. If the proposed legislation was passed in its current form, what are your best estimates of the utilization of the new benefit now?

Answer. Fortunately, very few Medicare beneficiaries incur catastrophic health expenses during any one year. Those who do, approximately 1.5 million in calendar year 1988, will, if the Administration proposal passes, finally be protected from the fear of being unable to afford necessary but costly acute health care services. In 1989, the carry-over provision should assist an estimated additional 1 million beneficiaries who happen to incur high out-of-pocket costs past the arbitrary boundary of a calendar year. In total, we estimate that approximately 1.6 million beneficiaries would benefit from the cap in 1989, plus a portion of the 1 million from the carryover provision.

INCREASES IN THE PREMIUM

Question. How much would the premium be expected to increase over time? Do you have any guess as to where it might be in five years?

Answer. The HCFA actuaries have updated their estimate of the premium for catastrophic coverage in CY 1988 to include administrative costs and to reflect the retention of the $2,000 out-of-pocket cap. According to their latest calculations, the premium will be closer to $600. Current estimates indicate that the carryover provision (which could go into effect at the end of 1988) could increase these premium estimates by up to 35 percent. Preliminary estimates indicate that if the out-of-pocket cap is indexed each year as proposed, the 1992 premium will be close to $9.00 (without carryover provision), and up to an estimated $12.00 with the carryover provision.

ADDITIONAL FUNDING UNNECESSARY

Question. If the premium doesn't cover the cost of the benefits, where will the additional funding come from?

Answer. Under the Administration proposal, the premium must be developed in such a way that it always covers the cost of benefits. The actuaries will calculate the premium to provide an adequate contingency margin. No general revenues will be required so long as the catastrophic health insurance benefit is not altered.

NO UNINTENDED COST SHIFTING

Question. Do you foresee any unintended shifting of the cost liability to the Medicare beneficiary as a result of enacting this new catastrophic coverage?

Answer. Our proposal to deal with catastrophic health care costs has been carefully studied and thoughtfully discussed for over a year. We foresee no unintended shifting of the cost liability to the Medicare beneficiary as a result of enacting this new catastrophic coverage.

CATASTROPHIC HEALTH INSURANCE--FINANCING

Question. If the legislation is enacted this year, will you require any additional staff to administer the program? Does your Fiscal Year 1988 budget include sufficient program operations funding for this purpose?

Answer. The Program Management budget request reflects current law requirements. As such, it does not include resources to fund any proposed legislation. If the Catastrophic Health Insurance initiative is enacted, HCFA may require additional resources.

MEDICARE PART B - ENTITLEMENT COST INCREASES

Let me continue with the current entitlement costs of the Medicare program. The budget requests $25.6 billion for payments to the Health Care Trust Funds, or Medicare Part B. This represents a $4.9 billion increase over last year's appropriation - that is, a 23.6 percent increase! Last year, the increase in payment for Medicare Part B from the previous year was approximately 10.5 percent.

Question. What accounts for the increase beyond normal growth?

Answer. The contingency reserve was increased from a negative margin to zero. This substantially increased the amount of Federal matching funds needed.

CONTINGENCY RESERVE

Question. To the extent that the increase is related to the contingency reserve, will this increase restore the contingency reserve to historical norms?

Answer. From the early 1980s through 1985 the assets of the Supplementary Medical Insurance Trust Fund were higher than necessary given the benefits and other costs. To correct this, in 1986 and 1987 the contingency margin was reduced to a negative value. The estimate for FY 1988 reflects that the assets in the trust fund are now adequate but not excessive. Therefore, the contingency reserve is set at zero.

There is no historical norm for the contingency reserve. It is set at a level which will permit a moderate degree of projection error yet maintain an adequate level of trust fund assets. The Supplementary Medical Insurance program is essentially yearly renewable term insurance financed from premium income paid by the enrollees and matching payments from the general revenues. As a result, the contingency margin, as part of a review of the financing of the entire trust fund, is examined carefully each year and modified as necessary so that a determination of actuarial soundness may be made.

Question. For the record, would you provide a detailed explanation as to how this increase came about?

Answer. To protect against the possibility that cost increases under the program will be higher than assumed, assets should be sufficient to cover the impact of a moderate degree of projection error. The relative measure or ratio used for this purpose is the ratio of net surplus or deficit to the following year's incurred expenditures. For FY 1986 and FY 1987 there was an excess of assets over liabilities; to correct this, the contingency margin was set at a negative value. In estimating the requirements of the trust fund in FY 1988, the assets were at an appropriate level, and the contingency reserve was set at zero. This had the impact of showing a large increase in the Federal contribution for the SMI portion of the Payments to the Health Care Trust Funds account.

RESEARCH BUDGET INCREASE--PHYSICIAN PAYMENT (RAP)

For the first time in many years, you are requesting an increase in your budget request for research and demonstrations, $8 million more than last year's $28 million appropriation. A large portion of that increase, $5 million, is to study physician payment reform. I understand you will be looking at the inclusion of hospital-based physicians - radiologists, anesthesiologists, and pathologists (RAP) - into the prospective payment systems.

Question. What are your plans to research this proposal? What kind of data are you going to assemble? What is your timeframe for this study? How long will it take? What kind of resources - how much money -are we talking about here?

Answer. HCFA is planning to use its Medicare waiver authority and $5 million of program management funds to establish community-based services demonstrations in FY 1988. It will include the following components:

- Establish demonstrations in up to 20 of the highest use and/or highest cost Medicare areas, demonstrating ways in which Medicare can benefit from innovative arrangements patterned after private sector developments, such as PPOs and negotiated provider agreements.
- Particular emphasis will be made to ensure maintenance of access and quality of care.
- Encourage employers, county medical societies, advocacy groups for the elderly, and physicians to participate in the demonstrations, furthering the favorable experience to date of free-market agents, such as HMOs and competitive medical plans.
- Test various systems of bonus payments to reward organizations for the delivery of high quality medical care while achieving savings for Medicare.

With regard to the RAP proposal, HCFA has redirected an active cooperative agreement with the Center for Health Economics Research (CHER) to research the RAPs proposal. In addition, HCFA staff has been reassigned to facilitate the external work and to prepare the Secretary's Report to Congress. Finally, ASPE is planning to contract for additional analyses.

HCFA data are being assembled at this time. One hundred percent carrier paid claims (Part B) data and the intermediary patient hospital bill (Part A) data are being merged for CY 1984, the latest complete year available, for four States--Alabama, Connecticut, Wisconsin, and Washington. These States were selected because they are representative of the four census regions and have used the HCFA Common Procedure Coding System prior to 1983. States identified for the ASPE analysis are South Carolina, the Dakotas, rural Minnesota, and also Washington. Intramurally, we have scheduled development of a linked 1985 Part A and Part B data set for a 5-percent national sample of beneficiaries. This effort will be completed the latter half of 1987.

We expect to receive a draft contractor report by May 1987 from which the Secretary's report would be prepared. CHER has estimated that the analysis can be completed for about $70,000. This relatively low cost is due to efficiencies and other savings that will accrue from using some common data files from other ongoing projects. HCFA resources have been identified for the report preparation.

RESEARCH BUDGET INCREASE PHYSICIAN PAYMENT (RAP)

Question. I also note that you have requested a $10 million supplemental for Fiscal Year 1987 for this same research proposal. Since most supplemental bills do not pass Congress until the summer, how do you propose to spend $10 million in approximately three months time?

Answer. The majority of the funds will be spent for computer processing equipment, data collection, and research activities. These types of procurements can be awarded very quickly.

RESEARCH BUDGET ISSUES--PHYPRC COORDINATION

Question. Will you be coordinating any of your efforts with the Physician Payment Review Commission?

Answer. We expect to coordinate our efforts with the Commission. As you know, the Commission acknowledged the Department and the Health Care Financing Administration's assistance specifically in the preface of their March 1987 first annual Report to Congress. We expect to continue this positive relationship.

SURVEY OF MEDICARE AND MEDICAID FACILITIES
QUALITY OF CARE - OUTCOME ORIENTED SURVEY APPROACH

In your budget justification, you describe a change in your philosophy about surveying Medicare and Medicaid facilities. I might also add that my friend and colleague, Senator Weicker, has been a guiding force and primary mover in leading this Agency to change its philosophy about surveying methods.

Question. What type of quality of care standards are measured in an outcome-oriented survey?

Answer. The outcome-oriented survey process used in long term care facilities incorporates interdisciplinary professional quality standards which interface with regulatory requirements to ensure that patients are receiving care and services that meet their physicial, mental and psychosocial needs. The outcome-oriented survey identifies care outcomes by direct patient interviews, observation of patient conditions, and through medical record review.

IMPLEMENTATION SCHEDULE FOR OUTCOME-ORIENTED SURVEYS

Question. What is the implementation schedule for outcome-oriented surveys?

Answer. Implementation schedules for outcome-oriented surveys are as follows:

- FY 1986 - Skilled Nursing Facilities and Intermediate Care Facilities
- FY 1987 - Intermediate Care Facilities/Mentally Retarded

- FY 1988 - Psychiatric Hospitals, End-Stage Renal Disease Facilities and Home Health Agencies
- FY 1989 - Hospice and Unaccredited Hospitals
- FY 1990 - Ambulatory Surgical Centers, and Comprehensive Outpatient Rehabilitation Facilities

SURVEY OF MEDICARE AND MEDICAID FACILITIES

Question. What type of training do you provide surveyors?

Answer. Training occurs within the framework of the Integrated Surveyor Training Program which has three phases: Phase One - The Orientation Program for Newly Employed Surveyors: This program was designed by HCFA to teach new surveyors the fundamental workings of the survey and certification process, and it provides the setting for new surveyors to demonstrate and improve their skills under direct supervision of a preceptor. This program is managed by each State survey agency. Phase Two - The Basic Surveyor Training courses: Depending upon their area of survey responsibility, surveyors are required to attend either the health facility, life safety code, or laboratory basic courses within the first year of employment. These courses are designed to provide surveyors an opportunity to enhance their knowledge in applying Federal requirements to the laboratory, and/or the health care facility setting. It provides a setting for surveyors to improve their technical skills as it applies to their discipline, and further improve their observation, interviewing, decision-making, and documentation skills. Phase Three -Specialty Courses: Specialty courses are designed to meet training needs identified through an ongoing analysis of surveyor training requirements and because of changes in Federal survey requirements. In the case of the LTC resident-oriented survey process, HCFA conducted six 3-day training courses on the Long Term Care survey process from February-March 1986. Three hundred and four (304) Federal and State surveyors responsible for training other State agency surveyors attended the sessions. An additional 2,444 surveyors were trained on the new survey process by State and Federal staff through followup training. During 1987, three 3-day training sessions are scheduled for April-June. Approximately 180 surveyors will participate in these training sessions. Training Materials - HCFA has developed a wide range of audiovisual training materials; slides/tape presentations; audio cassettes; video tapes; computer-assisted training module; and is currently in the process of developing an interactive videodisc instruction package for life safety code surveyors. These materials, addressing varied and current survey and certification topics, are made available to each State survey agency and regional office to be used in in-service training and to support additional training courses provided by the State.

Question. What enforcement procedures do you follow with a facility that is not in compliance?

Answer. When a facility is found not to be in compliance, adverse action procedures are taken against the facility in the form of an intermediate sanction, termination, or cancellation or nonrenewal of the provider's agreement. At this time, the intermediate sanction is a denial of payment for new admissions to skilled nursing and intermediate care facilities as an alternative to terminating their Medicare/Medicaid provider agreements, when deficiencies do not pose an immediate and serious threat to patients' health and safety. The duration of the sanction is for a full 11 months, however, the ban will be lifted at the time the facility corrects the deficiencies, is making a good faith effort to achieve compliance, or a decision is made to terminate the facility's agreement based on an immediate and serious threat to patient health and safety.

Terminations of provider or supplier participation in the Medicare or Medicaid programs are used when facilities are not in substantial compliance with the Conditions of Participation or Conditions for Coverage. Agreements can also be terminated if facilities are not in compliance with lesser requirements (standards/elements) and have not submitted an acceptable plan of correction. Terminations can be accomplished in as few as 15 but not more than 90 days, unless an immediate and serious threat to patient health or safety is found by the State survey agency. In these cases termination occurs in as few as 2 days.

The same deficiencies that constitute the basis for termination can also lead to nonrenewal of time-limited agreements for long-term care facilities, upon their expiration, if the renewal dates will occur before the projected termination dates, or if there is a repeated standard-level deficiency.

When a facility is participating in the Medicare and/or Medicaid program based on a plan of correction for existing deficiencies, an automatic cancellation clause in the agreement provides for its cancellation 60 days after the last correction date on the plan, if all of the deficiencies are not actually eliminated by that date.

We are currently exploring expansion of the intermediate sanctions authority to include monetary fines and other types of penalties. We would be happy to report on our progress in this area.

STATE CERTIFICATION - TERMINATIONS

Question. What is the record for terminations for the last two years?

Answer. The terminations for FY 1985 and FY 1986 are:

	FY 1985			FY 1986		
	Volun	Involun	Total	Volun	Involun	Total
SNFs	103	27	130	110	54	164
ICFs	88	20	108	47	21	68
ICFs/MR	26	11	37	53	32	85
Hospitals	64	4	68	83	18	101
HHAs	312	3	315	391	12	403
OPTs	71	4	75	74	2	76
Labs	280	10	290	236	16	252
X-ray	18	0	18	25	1	26
ESRDs	12	0	12	12	0	12
RHCs	39	0	39	36	1	37
ASCs	10	0	10	20	1	21
Hospices	2	0	2	4	1	5
CORFs	11	0	11	9	0	9
TOTAL	1,036	79	1,115	1,100	159	1,259

HEALTH MAINTENANCE ORGANIZATIONS

The Administration would like to see more Medicare beneficiaries enrolled in Health Maintenance Organizations. In exchange for a fixed, per capita payment, health maintenance organizations provide a range of services that include physician's care and hospitalization.

However, many concerns have been raised about the oversight of the quality of care received by the Medicare beneficiary in a health maintenance organization.

Last July, a General Accounting Office (GAO) report listed several findings addressing the quality of care issue. It seems that legislative safeguards regarding financial solvency and beneficiary grievance procedures were not enforced. Furthermore, senior citizens complained of inadequate care, long delays for appointments, unsatisfactory emergency treatment and other serious deficiencies.

Question. Since both Medicare and Medicaid are moving toward enrolling beneficiaries in a Health Maintenance Organization - like settings, how will you assure the quality of care they are receiving?

Answer. Medicare beneficiaries will have the quality of care received from HMOs reviewed by Peer Review Organizations (PRO) or competitive non-PRO review organizations in all States. For Medicaid beneficiaries, there will be an independent external review of the quality of services provided by HMOs conducted annually by a PRO or a private accreditation body.

HMO-STANDARDS OF PERFORMANCE

Question. What standards of performance do you propose to monitor?

Answer. The effectiveness of the HMOs' internal quality assurance mechanism will be monitored. In addition, there will be direct monitoring of the appropriateness of treatment, accessibility to service, under utilization of services, timeliness of services, and whether or not services meet professionally recognized standards of quality.

Question. Who will monitor these organizations?

Answer. In every State, risk-sharing HMOs that provide services to Medicare beneficiaries will be monitored by PROs or competitive review organizations which can qualify under the same provisions that apply to PROs.

Question. How will the standards be enforced?

Answer. Review organizations will advise HMOs of all cases in which deficiencies in the quality or appropriateness of care are found. HMOs will be required to develop and implement corrective action plans. When an HMO has a number of problems identified, the review organization will intensify its activity. Continuing problems may lead to termination of the HMO's agreement with the Medicare program.

Question. Will these standards apply only to Health Maintenance Organizations? Will they apply to other capitated health system providers?

Answer. These standards will apply to HMOs and Competitive Medical Plans with risk-sharing contracts under section 1876 of the Social Security Act.

SURVEYS - LONG TERM CARE FACILITIES

Included in the budget request of $60.5 million for direct survey activity is funding to support survey coverage of long-term care facilities. The Congress has asked you to review the Institute of Medicine's (IoM) study that evaluated the long-term care certification process.

Question. What changes in methodology have you made in program standards as a result of this review?

Answer. Our proposed response to the IoM study includes proposed changes in the survey and certification process that require statutory, regulatory, and procedural changes. The statutory changes proposed include (1) integrating the survey/certification and inspection of care (utilization control) requirements into a single system, (2) removing statutory references to consultant services provided by surveyors to emphasize their enforcement role, (3) provide penalties when States are found not to be following Federal survey and certification policies and procedures, (4) certain conforming changes to Medicaid law to align with Medicare laws affecting the survey and certification process, and (5) providing States authority to approve Medicare facilities for participation as they now do under Medicaid (except for public facilities in States in which we find the State is not properly exercising its enforcement authorities).

Regulatory proposals include (1) integrating Medicare and Medicaid survey and certification requirements into one part of the Code of Federal Regulations, (2) provide flexible survey cycles for long term care facilities to reduce predictability of surveys, (3) strengthening rules that in the past have allowed facilities with "roller coaster" performance (in and out of compliance repeatedly) to continue to participate, and (4) strengthening of requirements preventing a facility terminated from the program from returning to approved status without reasonable assurance the facility can maintain compliance.

Procedural changes include (1) continued improvements in the new long term care survey process, (2) improvements in surveyor training, (3) changes in survey procedures relative to resident participation in the survey process, and (4) continued clarification and revisions to our process for taking adverse actions against facilities that are no longer in compliance with program standards.

All of these and other related proposals are in various stages of action. Regulatory proposals will be completed shortly and should be published in the Federal Register in the near future.

Question. How will these changes improve the quality of care provided to these nursing home residents?

Answer. Changes in the survey and certification process are being made in the context of changes in the nursing home program requirements (Conditions of Participation) which focus directly on desired outcomes of care and the prevention of undesired outcomes. Thus, our outcome oriented survey process, along with proposals to increase participation of residents in the survey process, less predictable surveys, tighter requirements for maintaining compliance, the new facility requirements, and other changes noted in the previous question and answer will result in the clear necessity for facilities to be responsive to the residents' physical and emotional needs while providing us with stronger tools to both detect substandard care and to remove facilities from participation when they cannot achieve or maintain compliance with Federal requirements.

FREQUENCY OF SURVEYS

Question. How frequently is each long-term care facility surveyed?

Answer. Provider agreements with long-term care facilities are time-limited, lasting for 12 months. For this reason, long-term care facilities are surveyed annually, with the survey ordinarily taking place approximately 90 days before the expiration date of the agreement to allow for processing of the certification.

HCFA plans to propose regulations which would eliminate time-limited agreements and institute a flexible survey cycle under which surveys would be conducted between 9 and 15 months after the previous survey with the average for each State being 12 months. Under the proposed regulations, the length of the cycle would depend on the facility's compliance history. For facilities with good compliance histories, involving very few if any deficiencies, surveys would occur at least every 15 months; and for facilities with marginal compliance histories, with periodic deficiencies, surveys would occur at least every 9 months. This proposed revision would make certification surveys less predictable and would allow State agencies to focus more attention on problem providers.

Question. What kind of action do you take in response to complaints about a currently certified long-term care facility?

Answer. All complaints against certified long-term care facilities are investigated by the State agencies or regional offices and the complainant is notified of the outcome of the investigation. If the complaint is substantiated, the State agency and/or regional office takes steps to correct the situation, or, if appropriate, terminate the facility's participation.

HCFA is currently developing specific step-by-step guidelines for processing complaints and general requirements for an overall State agency complaint program. The procedures will provide uniform criteria for acknowledgement, investigation, notice, and recordkeeping that should closely parallel current State agency practice. The most significant aspect of the revised procedures is a requirement for a specific report to the HCFA regional office for every substantiated Medicare and/or Medicaid complaint and a quarterly report to the regional office summarizing all State agency complaint investigations. The data collected under these procedures will be used by the regional offices in making decisions regarding a facility's continued participation. Analysis of the data will also allow the regional offices to identify Region or State-wide patterns; pinpoint problem facilities or States; evaluate SA processing times, workloads, etc.; and identify overall SA workloads including unsubstantiated and Medicaid-only complaint volumes.

STATE CERTIFICATION - LTC RESIDENT DATA BASE

The budget request includes an increase of $3.5 million to increase the data base on the health status of nursing home residents.

Question. What additional types of data will you be collecting and analyzing?

Answer. The proposed long-term care data base will contain both aggregate and longitudinal information about all Medicare/Medicaid residents in nursing homes. Data will focus on the conditions and care needs of individual residents and the changes that occur over time, including:

- measures of physical functioning (e.g., levels of dependency, activities of daily living)
- measures of medical problems (e.g., diagnosis, nursing needs)
- measures of mental and psychosocial functioning (e.g., cognitive abilities, depression, behavioral patterns).

Question. How will you incorporate this new information into your long-term care survey process?

Answer. HCFA and the States will be able to use this type of data to focus our quality assurance efforts and thus to more accurately assess facility quality of care. For example, specific indicators from the resident assessment data base (e.g., aberrations from expected outcome norms, rapid changes in resident's conditions) could serve to identify facilities requiring more (or less) frequent surveys or to vary the intensity or focus of the survey process.

NURSING HOME QUALITY OF CARE

Question. How will this help to improve the quality of care received by nursing home residents?

Answer. Access to resident-assessment data will help the States and HCFA to reallocate surveyor resources to facilities with poor and marginal performance histories. Within individual facilities, surveyors will focus their attention on elements of the care process where the assessment data indicates possible problems. Finally, the data can be used by facility management to identify overall needs of residents, how these needs are likely to change, and thus to predict personnel and other resource requirements.

Question. What are your plans to implement these changes?

Answer. HCFA envisions a 5-year plan to bring this type of system to fruition. The plan entails the phased accomplishment of the following tasks:

- identification and description of current data collection resources in the States
- design of a national data collection system
- pilot test implementation, including forms revisions, training, equipment procurement, data analysis, etc.
- national training and implementation
- evaluation and follow-up.

MEDICAID - INFANT MORTALITY INITIATIVES

The Omnibus Reconciliation Act of 1986 instituted a new infant mortality initiative allowing States to grant Medicaid elgibility for parental and well baby care for mothers and infants up to 100 percent of the Federal poverty level.

Question. What are your plans for issuing regulations for this new legislation?

Answer. HCFA is developing regulations for this provision which we will publish as soon as possible. We have already drafted State Medicaid Manual instructions on this provision which will assist States in their implementation of this provision pending publication of the regulations. I expect those instructions to be published sometime in April 1987.

Question. What interest have you had expressed from States already?

Answer. HCFA has had no specific indication from any State of plans to elect or not elect this option. In our informal discussions with Regional Office staff, it is clear that there is some interest in this option on the part of the States, but again, we have no specific indications at this time.

Question. What is your best estimate of the extent of future State movement in this direction?

Answer. HCFA has had no specific indications of State plans regarding election of this option, so a forecast of future State movement would be premature. This option responds to needs expressed by many, including States, for the opportunity to better serve the need for prenatal and wellbaby care beyond the boundaries of the Medicaid program. I am in full agreement with the need to address this problem and I am sure that States will begin to take advantage of this new flexibility after they have had the opportunity to better examine how this option may fit into other aspects of their Medicaid and general medical assistance programs.

CASE MANAGEMENT DEMONSTRATIONS

Last year's legislation also included a case management component. States would be allowed to provide case management for this population through Medicaid without extending this service statewide. The HCFA budget for this year also seems to place great emphasis on case management demonstrations as an infant mortality initiative.

Question. Why are you requesting this change when the legislation already authorizes such activity?

Answer. Under current law, States are permitted to cover optional targeted case management services. Case management services are generally defined as the coordination of services that will assist individuals eligible under Medicaid in gaining access to needed and appropriate medical, social, educational and other services.

Our proposal would provide Federal funds for innovative targeted demonstration projects designed specifically to address the high rates of infant mortality and low birthweights. Current research indicates that early entry into a comprehensive system of prenatal care markedly reduces maternal and infant morbidity and mortality, including low birthweight.

The demonstrations would be based upon case management of maternal and infant health, and an integrated program of services and resources needed by at-risk pregnant women and infants to achieve improved health status. Case management is a process of locating, coordinating and monitoring all primary care and other specialized services on behalf of recipients. In general, a case manager, for example, a physician, nurse, or social worker, assures that appropriate services are provided to a pregnant woman or infant according to a systematically developed case plan against which progress is continually monitored. Further, the demonstrations will coordinate services from other Federally funded sources, such as community health centers, maternal and child health clinics, and WIC sites.

The projects will be evaluated to determine the extent to which a case management system can improve pregnancy outcome and infant health and whether they are cost effective.

Question. If the major difference is just that your demonstrations could be reimbursed up to 100 percent of costs by the Federal government, why don't we just increase the match for case management within the existing law?

Answer. The major difference is that these demonstrations go beyond the traditional boundaries of the Medicaid program. Additionally, under current law, we cannot increase the match for optional targeted case management services. The goal of funding these projects is to improve the pregnancy outcome and health status of mothers and infants in the target population through case-managed, comprehensive services and to assure the delivery of appropriate care at reduced costs to the Medicaid program.

These projects would help States develop their case management systems, and would assist them in making their current health care package more comprehensive or of a higher quality. These demonstration projects will not substitute for existing or proposed case management services in States. These projects will be designed so that adequate data for an independent evaluation of the demonstration can be conducted.

Question. Wouldn't this provide even more incentive to States than demonstrations would?

Answer. We believe our approach will assist States in their efforts to improve the health status and pregnancy outcomes of at-risk women and their infants. Our demonstration projects will actually test the effectiveness of providing case-managed comprehensive services to a targeted population. Under our current demonstration authority, we can waive State Medicaid plan requirements and reimburse costs not otherwise Federally matchable to enable State Medicaid agencies to conduct these innovative demonstration projects.

MEDICARE - FIXED-COST CONTRACTS

In an April 1986 report, the General Accounting Office (GAO) concluded:

We ". . . believe that a major change in the method of contracting used in the Medicare program is not justified because the competitive fixed-price experiments have not demonstrated any clear advantage over cost contracts presently used to administer the program."

However, in your budget justification, you propose increasing the number of fixed-cost contracts from the current 5 to 9. The fixed-price contract costs will increase from $62 million to $88.3 million, a 42 percent increase.

Question. In light of the General Accounting Office (GAO) report findings, why are you increasing the number of fixed-price contracts?

Answer. We agree a major change in the method of contracting is not justified but disagree with the GAO conclusion that competitive fixed-price experiments have not demonstrated any clear advantage over cost contracts.

The GAO findings were based on a review of a very few early fixed price experiments. We disagree with the regression formula used by the GAO.

Our Medicare contractors processed over 300 million claims in fiscal year 1986. Our calculations of the price differential which existed at the time of the GAO findings between our cost and fixed price contractors is as follows: For intermediaries, the average cost per claim of fixed price contractors was $1.61; for cost contractors, $2.01. For carriers, the average cost of fixed price contractors was $1.53; for cost contractors $1.77. It is evident that fixed price contracting resulted in savings to the program.

A comparison of performance measures including payment safeguards and beneficiary services appear equal for cost and fixed-price contractors on average.

FIXED PRICE CONTRACTS-IMPLEMENTATION COSTS

Question. In your budget justification, you claim to save $12.1 million by shifting to fixed-price contracts. How did you determine that savings? Does that include costs for implementation?

Answer. We estimated the savings by projecting the number of fixed-price contracts and the size of the workloads that may materialize in fiscal year 1988. The average cost per claim for Part A fixed price contractors was estimated at about 20 percent less, for Part B over 13 percent less than the average cost per claim for the cost contractors. We subtracted termination and transition costs from projected savings.

MEDICARE - FIXED-COST CONTRACTS

Question. Won't switching to fixed-price competition increase contractor turnover? Won't this lead to disrupted services, slower benefit payments, and higher payment error rates?

Answer. Having the authority to make changes does not mean it would be used too frequently or in an indiscriminate manner. We are not proposing a change to a total fixed-price contracting environment; we are proposing a limited number of fixed-price competitions.

A number of contractor replacements can be expected to occur each year. Some result from the need to replace poorly performing contractors, some from consolidations of small workloads and some because of voluntary withdrawals. The fixed-price competitions we propose need not be in addition to these normal replacements. Fixed-price competition can be held in connection with these opportunities or to test new and innovative contracting methodologies.

Removal of a contractor and replacement through competition makes our other contract management efforts more successful and is effective in terms of its direct and indirect impact on contractor behavior. Competitions are also important in that they enable us to determine current market price.

Experience has given us the ability to successfully manage transitions with minimum disruption of service, benefit payment delays, or deterioration in contractor performance. When a decision is made to change contractors, adequate resources are made available to ensure a successful replacement. We have learned a number of lessons about fixed-price contracting which will be applied to future procurements.

FIXED PRICE CONTRACTS-SAVINGS

Question. In fact, you are requesting $7.8 million in Fiscal Year 1988 for the transition and close-out costs. How much are we actually saving by switching to experimental fixed-price contracts?

Answer. The actual savings was projected as $19.9 million. We subtracted the $7.8 million termination and transition costs to arrive at a net savings of $12.1 million.

STAFFING REDUCTION

You propose to reduce the full-time staff of the Health Care Financing Administration by 105 full-time equivalent positions, or 3 percent, from the current Fiscal Year 1987 level.

Question. When and how do you plan to make those cuts?

Answer. HHS will achieve the staffing reductions by attrition, thus resulting in no adverse impact on the Administration, Medicare, Medicaid or HCFA staff. The proposed FY 1988 FTE ceiling of 3,750 represents a reduction of 105 FTEs from FY 1987. This reduction will be accomplished through a partial hiring freeze which will permit HCFA to fill one vacancy for every two separations in FY 1987.

Between Fiscal Years 1981 and 1986, you have reduced your staff by 20 percent. As you well know, Congress has been very active in making changes in the law to make Medicare and Medicaid more equitable and efficient. These changes require sufficient staff to review and implement these changes.

STAFFING REQUEST

Question. Do you think your current staffing request for $256,741,000 and 3,750 full-time equivalent positions is adequate for the effective management of the Medicare and Medicaid programs?

Answer. Yes. This staff level will allow us to effectively administer the Medicaid and Medicare programs. Health and Human Services has well over 100,000 FTEs. After weighing relative priorities throughout the Department the Secretary has allocated 3,750 FTEs to HCFA.

MEDICAID CAP

Once again, the President's budget proposes restraining growth in the Medicaid program through the imposition of a cap on Federal allocations to the States.

For rapidly growing States like Florida - where the most growth is in the elderly population - the loss of the Federal share of the Medicaid entitlement funds would have a disastrous impact on the State budget. Florida estimates a loss of $119.5 million in FY 88 and well over $20 million in FY 89 should the President's proposal be enacted. In Florida, as in many States, almost half of the Medicaid budget provides long-term custodial care for the elderly and disabled. Florida's Governor has also asked the legislature to approve a $75 million budget request to provide Medicaid coverage to pregnant women, infants and the elderly up to 100 percent of the poverty level - an initiative I proposed and which was enacted in the last Congress. A Medicaid cap would probably preclude the States' ability to exercise that essential option - especially those States that need it most.

Question. Are there no other options for containing costs than to cap the program?

Answer. Since 1984 States' positive financial health has spurred program expansions. Failure to impose any direct constraints on Federal costs could add significantly to the Federal budget. We believe the cap is the best measure for containing costs. States that have been effective in containing Medicaid cost should be able to live within the cap.

- o Instead of intense programmatic involvement in telling States how to structure their programs, we prefer a program of fiscal restraint which allows the States to make those decisions. The cap would give States incentives to control costs at the same time that it gives States additional flexibility in structuring their programs.
- o States have responded in recent years by implementing a wide range of cost containment measures, utilizing home and community-based waivers, which allow Medicaid to pay for alternatives to institutionalization for its recipients; freedom-of-choice waivers; implementaion of cost-effective hospital payment systems, such as prospective payment system; greater use of ambulatory surgery; increased enrollment in HMOs; greater accuracy in eligibility determinations; and alternative nursing home reimbursement methodologies.
- o A $300 million "hardship" fund is provided in FY 1988 for States which, in spite of aggressive cost control efforts, exceed their limit. This fund will facilitate the transition to a capped program and will be available to States experiencing undue hardship.

ALZHEIMER'S DISEASE - RESPITE CARE DEMONSTRATION PROJECT

Last year the Committee provided $1.2 million to support three respite care demonstration projects to explore a range of options including in-home services, adult day care and institutional care for victims of Alzheimer's disease.

Question. What is the status of these demonstration projects? When do you anticipate that these projects will be operating?

Answer. In approving the funding for the Health Care Financing Administration's (HCFA) research and demonstration activities, the Appropriations Committee noted its concern that Alzheimer's disease and related dementia inflict a tremendous physical, emotional, and financial burden on patients and their families. The Committee noted that this situation is compounded by the lack of medical and social services available to assist families that wish to care for their loved ones at home and provided $1,200,000 to support three respite care demonstration projects that explore a range of options, including in-home services, adult day care, and institutional care.

The Committee further stated that should additional research activities be authorized by Congress during its consideration of the Omnibus Budget Reconciliation Act of 1986 (OBRA-86), they should be financed within this amount or a supplemental request should be submitted for the review of Congress.

Section 9342 of OBRA-86 directs the Secretary to conduct five to 10 demonstration projects to determine the effectiveness, cost, and impact on health status and functioning of providing comprehensive services for Medicare beneficiaries who are victims of Alzheimer's disease or related disorders. The services to be included under these demonstration projects must be designed to meet the needs of these patients and can include such services as case management, mental health services, in-home services (as well as respite care), and other supportive services for the families of these patients. Each demonstration project would be conducted over a period of 3 years and at sites chosen so as to be geographically diverse. Projects would also be required to involve community outreach efforts at each site to enroll the maximum number of Medicare victims of Alzheimer's disease and related disorders. The legislation authorizes spending up to $40,000,000 for services and $2,000,000 for the evaluation of these projects. The legislation requires the Secretary to provide for the evaluation of the demonstrations and to submit to Congress two reports: a preliminary report during the third year describing the projects and the services being provided and a final report upon completion of the projects that includes recommendations for appropriate legislative changes.

The demonstration projects and the evaluation will provide a comprehensive study that will address the criteria for determining who is eligible for services as an Alzheimer's victim to be maintained in their homes and in the community. It will also assess the cost and impact of supportive services, counseling, and respite care for the family, as well as direct services to the Medicare Alzheimer's patient.

This project provides a hereto unavailable opportunity for HCFA to coordinate the efforts of various States and organizations in developing effective and innovative programs to provide much needed services to Alzheimer's disease victims and their families. Therefore, HCFA plans to concentrate its efforts on this major project.

In developing the Alzheimer's demonstration, HCFA will coordinate with relevant agencies within and outside of the Department of Health and Human Services. Currently, the tentative plans include awarding a developmental contract during FY 88, with site selection and service provisions beginning in the following year. An evaluation contract will be awarded concurrent with implementation of the demonstration sites.

ESRD NETWORK ORGANIZATIONS

Last year, $3.4 million was appropriated for the End Stage Renal Disease (ESRD) Networks. This amount funded fourteen Networks. This year, no funding is requested to support these Networks.

Question. What legislative change has occurred to eliminate the appropriation to this account?

Answer. Section 9335 of the Omnibus Budget Reconciliation Act of 1986 (P.L. 99-509) mandated that the ESRD Network Organizations be financed, effective January 1, 1987, through a $0.50 reduction to each ESRD composite rate payment, with adjustments made for treatment modality. This legislative change removed funding for these organizations from the annual appropriations process.

NETWORK FUNDING

Question. How are these Networks currently being funded?

Answer. The effective date of the above referenced citation applies to treatment furnished on or after January 1, 1987. Therefore, the current ESRD Network Organizations are currently being funded from the $.50 reduction to each composite treatment rate.

Question. What level of funding will they receive in Fiscal Year 1987? In Fiscal Year 1988?

Answer. The ESRD network organizations are currently funded on a calendar year basis. It is estimated that these organizations will receive approximately $5.4 million in 1987 as a result of the $0.50 reduction to each composite rate payment. We are now analyzing updated patient census data to determine a projected funding level for FY 1988.

HOME AND COMMUNITY-BASED WAIVERS

In the President's Catastrophic Health Care proposal, greater flexibility in the Medicaid program is a strategy suggested to address the issues of uncompensated health care and to provide home and community-based alternatives to institutional care. Last year Florida was finally granted renewal of our primary home/community-based 2176 waiver after a long and arduous process. That waiver serves 14,000 persons in the noninstitutional setting and saves an estimated $37 million annually.

Question. If, in fact, you wish to grant states greater flexibility and want to contain costs, why is the waiver process so cumbersome and difficult?

Answer. The Medicaid home and community-based waiver program does provide a great deal of flexibility to States who elect to participate in this optional program. States are free to provide virtually any service, other than room and board, which they establish as a cost-effective alternative to institutionalization. Congress did, however, require that this provision be implemented in such a way as to assure compliance in several important areas including cost neutrality, protecting the health and welfare of beneficiaries and guaranteeing the freedom of choice for beneficiaries between community and institutional services. Given the flexible nature of this program, we have attempted to assure compliance with these key objectives through regulations which require states to carefully plan and implement their programs. While some states believe that the level of accountability demanded in this program makes the waiver process cumbersome and difficult, we believe that we have acted in a manner consistent with Congressional intent by requiring a high level of accountability for both the expenditure of Federally matched funds and the welfare of beneficiaries. Moreover, we have made every effort to assist states who seek technical assistance in the waiver process to comply with statutory and regulatory requirements. I believe the fact that 46 states have had one or more waiver programs approved is testimony to the fact that the level of accountability we demand in this program has not been an insurmountable barrier to states.

CLAIMS VOLUME

Your projection of FY 1988 claims volume totals 438 million and reflects less than a 9% increase over 1987. Last year claims grew by 11%. Your budget justification indicated your expectation is that 6 million claims are likely to be handled by Health Maintenance Organizations and, therefore, claims volumes have been reduced by this amount.

Question. How did you arrive at this estimate of HMO claims? Don't you believe that your budget underestimates the claims volume for FY 1988? Won't this result in inadequate budget requests as has happened in past years?

Answer. In reducing the total FY 1988 claims workload to account for the number of claims potentially being handled by HMOs, we made the following assumptions:

+ HMO enrollment will increase to 1.7 million enrollees in FY 1988. (Projected by HCFA's Office of Prepaid Operations.)

+ Approximately 655,000 HMO enrollees will no longer use the fee-for-service arrangement.

+ These 655,000 enrollees will submit a total of 5.9 million claims.

HCFA believes that it will achieve the projected 1.1 million HMO enrollment for FY 1987 as well as the 1.7 million FY 1988 projection. Based on these projections, we do not believe it is necessary to revise our claims volume estimates for FY 1988.

UNIT COST ESTIMATES

Your budget justification indicates FY 1988 savings of $37 million from a new formula which will lower unit costs paid for claims processing activities.

Question. How was this formula developed? Will it be published for comment in the Federal Register?

Answer. Savings of $37 million was derived by taking 1/3 of the difference between what we are paying cost contractors and a blended rate for competitive and negotiated fixed price contracts. We are still in the process of refining the methodology. This methodology will be used for internal contract negotiations. Although we have not planned to publish this methodology in the Federal Register, we will certainly share it with the intermediary and carrier advisory groups before it is finalized.

BUDGET DEVELOPMENT PROCESS

Last year's GAO report recommended that HCFA use a "budget development process that places more emphasis on the individual circumstances than the formula-based cost caps."

Question. Why haven't you adopted this recommendation?

Answer. We already take into account individual claims volume and wage index differentials.

ELIMINATION OF PERIODIC INTERIM PAYMENTS FOR HOSPITALS

Question. What is the status of the implementation of the provision of OBRA 86 for the elimination of periodic interim payments (PIP) for hospitals?

Answer. As required by law, providers will be removed from PIP beginning in July if 95 percent of all clean non-PIP bills are processed in 30 days after the day of receipt, for 3 consecutive months. In February, HCFA issued instructions to contractors which called for monitoring of intermediary payments beginning April 1, 1987.

Question. With the elimination of PIP, what will be the impact of the delay in payments to hospitals on the cash flow situation in those hospitals?

Answer. The degree of cash flow problems for a hospital would depend upon how fast the hospital bills for services. It will take approximately 6 weeks to get the bills paid under PIP out of the system. Payment for bills in the 6 week interval will depend on date of discharge. Those bills with dates of discharge which fall during the period for which PIP was paid are adjusted against PIP payment. The faster the hospitals can bill during the 6 week interval, the greater the number of payments which can be made.

ELIMINATION OF PERIODIC INTERIM PAYMENTS (PIP) FOR HOSPITALS

Question. Isn't it likely that some disproportionate share hospitals may be those most likely to experience cash flow difficulties if PIP is eliminated for these hospitals as you propose?

Answer. Section 1815(e)(1)(B) of the Social Security Act, as enacted by Section 9311 of OBRA 86, requires the Secretary to make PIP available for a requesting subsection (d) hospital which is receiving PIP as of June 30, 1987 and which continues to otherwise meet the existing PIP requirements if it has a disproportionate share adjustment percentage of at least 5.1 (as computed for purposes of establishing the average standardized amounts for discharges occurring during fiscal year 1987). Some disproportionate share hospitals not meeting this provision may be able to meet 1) section 1815(e)(1)(A) which requires the Secretary to make PIP available to qualifying hospitals whose intermediaries, for three consecutive months, do not meet the prompt payment requirements in Section 1816(c)(2), or 2) Section 1815(e)(2)(C) which requires the Secretary to make PIP available, without regard to intermediary payment requirements, for rural hospitals of 100 or fewer beds who are receiving PIP as of June 30, 1987. We are proceeding to implement these provisions as enacted and have no plans to routinely eliminate PIP for disproportionate share hospitals.

NURSING AND ALLIED HEALTH EDUCATION

Question. What will be the impact of the proposed elimination of payments for nursing and allied health professional education in hospitals? Isn't it likely that a large number of hospitals now participating in such programs will refuse to participate in the future?

Answer. Medicare is not the only supporter of hospital educational programs. Medicare contributes less than 40 percent of total direct medical education costs. Thus, it is unlikely that our propossal by itself will result in hospitals deciding to close down their nursing and allied health education programs.

The initial Medicare legislation did not require support of nursing and allied health training programs. It was always the intent that

Medicare funding for nursing and allied health programs would be interim funding until community support was available. As a result of our proposal, hospitals will need to develop the community support that was always anticipated.

PROFIT MARGINS AND REBASING UNDER PPS

Question. What is your reaction to recent proposals regarding rebasing, or recalculating, the PPS payment rates under Medicare using more recent cost data? Do you think rebasing is a good idea? If so, how should it be done?

Answer. In connection with recent reports of high hospital profits under the Medicare prospective payment system (PPS) have come calls for "rebasing" that system, i.e., basing the rates on later data than was used to originally derive the rates. That data, which was the best data available at that time, was from unaudited cost reports for cost reporting periods ending in calendar year 1981. The rationale for rebasing is that the high profits realized by hospitals are the result of rates which are too high, and that rebasing on later data will produce rates which are lower and more consistent with actual hospital cost experience.

The law is specific in prescribing the manner in which the rates after FY 1984 are to be derived. The rates must be developed by updating the previous year's rates according to the update factor which is set forth in the law or, beginning with FY 89, which is prescribed by the Secretary under Section 1886(e)(4) of the Act. This specific process, as set forth in the law, does not permit a formal rebasing of the rates, i.e., a recomputation of the rates on the basis of later data. The 1981 data was the best data available at the time the PPS rates were first set for FY 1984, and later data, whether from 1982, 1983, or 1984, may not be substituted for the 1981 data in a mechanical rebasing of the rates. However, the Secretary's authority under Section 1886(e)(4) is broad enough to permit him to take more recent cost data into account as one element or variable in his determination of the update factor.

While we are continuing to investigate the pros and cons of rebasing, no concrete decision has thusfar been reached. In the meantime, we are pursuing a course of continuing to propose appropriate updates in the PPS rates which will serve to realize savings in a gradual fashion.

PROFIT MARGINS AND REBASING UNDER PPS

Question. What would be the impact of rebasing on the financial health of the hospital industry as a whole?

Any proposal we publish will recognize the comments provided by the hospital industry and others on our previous proposal published in the Federal Register on June 3, 1986 (51 FR 19970) and the provision contained in the Omnibus Budget Reconciliation Act of 1986 (section 9303(a) of Public Law 99-509).

That provision requires that any design to incorporate capital payments into PPS must assure that the aggregate payments made under such a system (PPS), shall approximate the payments in fiscal years 1988 and 1989 that would have been made under the cost payment rules previously in effect. This, in effect, will make any proposals budget neutral to that which hospitals would have been paid for capital expenses in fiscal years 1988 and 1989 if no change had been made. Thus, no significant impairment to hospital capital fiscal circumstances would result for at least the following two fiscal years.

Furthermore, for fiscal years 1988 and after, our proposal would provide for an extended transition period of up to 10 years. During that period hospitals would be paid a majority of their inpatient capital costs on the basis of their actual allowable Medicare costs for the first 7 years of the transition period.

This would provide adequate time for hospitals to plan and adjust their expenditure budgeting, in order to properly balance operating and capital expenses in the future. Since both operating and capital payments for Medicare hospital inpatient expenses would be paid for primarily on a rate basis in the future, we do not anticipate that cost shifting would be advantageous to hospitals, and will be avoided by them. In addition, because the rates payable for both components of Medicare inpatient expenses (operating and capital) will be published in advance, hospitals will be able to plan appropriate budgets for both operating and capital expenditures with more assurance in the future than was ever possible in the past.

Answer. Rebasing the PPS payment rates using more recent cost data could reduce Medicare payments to PPS hospitals by as much as 12-15 percent over current payments. Since Medicare payments to hospitals represent almost one-third of total hospital expenditures, rebasing PPS rates could result in a 4-5 percent reduction in total hospital revenues.

Question. Are there subgroups of the industry that would be especially hard hit? For example, what are the implications of such proposals for rural hospitals?

Answer. Yes, certain subgroups would be more affected than others. Rural hospitals as a group have not experienced as large a profit margin as urban hospitals in the first few years of PPS. Similarly, nonteaching hospitals (i.e., hospitals without residents in approved graduate medical education programs) as a group have not experienced as large a profit margin as teaching hospitals. As a result, a greater proportion of hospitals in these subgroups have been experiencing difficulty covering their Medicare inpatients costs with Medicare PPS revenues. Rebasing PPS rates would exacerbate this situation. Although rural rates would not be reduced by rebasing as much as urban rates would be reduced, rural hospitals as a group are more vulnerable to any reduction in rates than are urban hospitals.

HOSPITAL CAPITAL COST REIMBURSEMENT

We're in a period of great change in health care. Providers will have to make significant adaptations along the way in order to keep pace with these changes.

Question. In restricting payments for capital costs, as you propose, aren't you impairing hospitals' abilities to adapt efficiently to changing conditions. If that results in greater increases in operating costs for hospitals in the future, won't these restrictions in payments for capital costs come back to haunt us later?

Answer. We are sensitive to the impact that a change incorporating hospital inpatient capital payments into the prospective payment system (PPS) would have on hospital capital expenditures and planning should we proceed with a regulatory initiative on this matter. However, pursuant to legislative language added to the statute dealing with capital payments and PPS (section 1886(a)(4) of the Social Security Act as amended), incorporation of capital payments into PPS is left to the discretion of the Secretary of Health and Human Services for hospital cost reporting periods beginning on or after October 1, 1987. In addition, this Administration's budget proposals for federal fiscal year 1988 (beginning October 1, 1987) call for incorporating Medicare capital payments for inpatient hospital services under PPS effective with that fiscal year.

Questions Submitted by Senator Lowell P. Weicker, Jr.

CATASTROPHIC COST

Dr. Roper, the President has recently endorsed a proposal to expand the Medicare program to provide catastrophic health insurance for older Americans.

Question. How much will this new plan increase the FY 1988 Medicare budget?

Answer. The President's catastrophic plan is by design self-financed and budget neutral. Because the proposal requires annual actuarially-determined premiums and a separate accounting structure within Medicare, all increases in spending will be offset, and show no net increase in outlays.

CATASTROPHIC NURSING HOME CARE

Question. Will this new plan cover nursing home costs?

Answer. The President's catastrophic plan eliminates the coinsurance for skilled nursing facility care thus giving beneficiaries 100 days of SNF care per calendar year.

Regarding long-term nursing home care, the Administration recognizes there are no easy answers. The President's proposal calls for studies by the Treasury Department and others to find ways of meeting long-term care costs. In effort to further protect the elderly population, the proposal calls for a cooperative effort between the Federal Government and the private sector to make available information about the risks, costs, and financing options of various forms of catastrophic illness insurance.

NURSING HOME COSTS

Question. Is HCFA currently doing anything to assess the long-term costs of nursing home care and how those costs impact on the families of those who are in nursing homes?

Answer. HCFA has a number of current research studies on patients who receive long-term care services under Medicaid:

(1) Two studies are now in press:

"Impact of Growing Numbers of the Very Old on Medicaid Expenditures for Nursing Homes: A Multi-State Population-Based Analysis".

"Medicaid: Use and Cost of Medical Care by Institutionalized Recipients: New York and Michigan, 1982."

(2) Medicaid research is underway to study:

The "spenddown" provision as it relates to nursing home entry.

Patterns of care for a cohort of patients who enter a nursing home.

Interstate variation in nursing home populations.

In addition, the President's catastrophic health insurance proposal calls for studies by the Treasury Department and others to find additional ways of meeting these long-term costs.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

BUDGET REFORM

Question. Calls for budget reform are increasingly heard as budget deadlines are too often missed, important budget decisions are delayed, appropriation bills and other direct spending legislation are held up in committee, and omnibus spending bills take the place of timely and orderly consideration of individual bills. One procedural reform that is being considered is the two-year budget cycle where budget and appropriations matters would be considered in the first year, and authorizations and oversight would be undertaken in the second year. Would your Department favor a biennial budget process? What benefits would your Department achieve in a two-year appropriation cycle?

Answer. We definitely favor a biennial budget process. This year we have requested two-year appropriations for the following accounts:

- St. Elizabeths Hospital
- Retirement Pay and Medical Benefits for Commissioned Officers
- Grants to States for Medicaid
- Payments to Health Care Trust Funds
- Supplemental Security Income
- Special Benefits for Disabled Coal Miners
- Payments to Social Security Trust Funds
- Family Support Payments to States

In addition, we have also included in our FY 1988 budget a request for advanced appropriations for the National Institutes of Health to fund outyear commitments generated by the award of FY 1988 competing research project grants. This would reduce the grantee's annual uncertainties over the availability of funding for noncompeting awards because funds would then be available for the total project period of a research project grant at the time it is awarded. This should also permit better fiscal planning and grants management.

Two major benefits to be obtained from a two-year appropriation cycle would be:

- the considerable savings in staff hours expended in budget preparation, hearings, reviews, etc.; and

- the absence of the end-of-year continuing resolution problem in the first year of the two-year cycle.

Question. Approximately what proportion of your annual appropriation request would you consider simply repetitious of the previous year's submission?

Answer. Except for the changing considerations of each Administration, the legislative proposals that evolve, and the changing economic assumptions, the budgets are quite repetitious. It is our estimate that 75 percent of the data contained in each annual budget submission is duplicative from year to year.

Question. What difficulties can you foresee in preparing and submitting a two-year budget to the Congress?

Answer. We did not encounter any major difficulties in developing the budgets for those accounts that were targetted for the two-year appropriation process this year. We would hope that this two-year process would be extended to all our accounts. The process would be rather simple because we currently prepare outyear estimates for all our accounts. The major problem in two-year budgeting in the current environment is the Federal deficit and the Gramm-Rudman deficit target. If larger deficits than forecasted were to occur during the first year of the two-year budget cycle, it would most likely be necessary to revise the budget for the second year through a supplemental appropriation action.

PEER REVIEW ORGANIZATIONS

Dr. Roper, Congress appropriated $170 million in FY 1987 to fund Peer Review Organiations (PROs). The Administration's request for FY 1988 is $176 million.

Question. Is this amount sufficient in light of Congress' requirement for PRO review of assistants at cataract surgery, possible expansion of reviews to HMOs, and likely future costs for copying of medical records?

Answer. The cost of these new responsibilities, including payment to hospitals for copying medical records, are under review. Currently, funding for the PRO program is not provided through annual appropriations, but rather Congress created a permanent indefinite appropriation for funding PRO hospital review costs.

Question. Does the FY 1988 budget provide for any beneficiary outreach?

Answer. Each PRO budget negotiated under the FY 1986/88 Scope of Work provided for a community outreach program. We expect the PROs to use this vehicle to notify beneficiaries of recent legislative changes affecting PRO review activities.

SUBCOMMITTEE RECESS

Senator CHILES. We thank you for your appearance today. The subcommittee will recess until 2:30 this afternoon, when we will hear testimony from related agencies and the hearing will be in Dirksen SD–138 of this building. Thank you.

[Whereupon, at 10:55 a.m., Tuesday, March 3, the subcommittee was recessed, to reconvene at 2:30 p.m., the same day.]

(AFTERNOON SESSION, 2:30 P.M., TUESDAY, MARCH 3, 1987)

The subcommittee met at 2:30 p.m., in room SD–138, Dirksen Senate Office Building, Hon. Lawton Chiles (chairman) presiding.

Present: Senators Chiles, Harkin, Weicker, and Stevens.

Also present: Senator Rockefeller.

ACTION

STATEMENT OF DONNA M. ALVARADO, DIRECTOR

ACCOMPANIED BY:
RICK VENTURA, DEPUTY DIRECTOR
DANIEL BONNER, ASSOCIATE DIRECTOR FOR DOMESTIC OPERATIONS
LOWELL GENEBACH, BUDGET OFFICER

OPENING STATEMENT

Senator CHILES. We have as our first witness this afternoon Ms. Alvarado, the Director of ACTION, the national volunteer agency. The ACTION agency seeks to address many of the same social and economic problems of our country as other Federal agencies. It does so, however, by tapping a unique resource, the American volunteer spirit, the willingness of Americans to give of their time and themselves.

The contributions of many ACTION programs in the areas of hunger, drug abuse, homelessness, child abuse, refugees, and unemployment are well known and certainly appreciated by this committee. In September 1986, Ms. Alvarado wrote to this subcommittee requesting an additional $5 million over the agency's original fiscal year 1987 budget. "These additional resources," she wrote, "will be devoted to fulfilling ACTION's portion of the President's goal for a drug-free America." The committee was only able to provide an extra $3 million. Now, however, we are told the $3 million was too much for the President's major national crusade.

The administration would like us to provide no additional moneys for this purpose in 1988, and let them spend the $3 million that we provided for 1987 over the next 2 years. This request is, unfortunately, typical of the White House's complete about-face over this drug issue.

Similarly, on another major national problem, the subcommittee sought to supplement the ACTION agency's sincere effort to reduce illiteracy by financing a literacy corps as part of the VISTA Program. Now we are asked to terminate our support for the section 109 volunteers. Here again the administration has called attention to a major problem but rejected attempts toward a solution.

PREPARED STATEMENT

Ms. Alvarado, your entire statement will be included in the record. We would appreciate it if you would introduce your staff and briefly present the highlights of your testimony for us.

[The statement follows:]

STATEMENT OF DONNA M. ALVARADO

Mr. Chairman, members of the Subcommittee, I am pleased to present to you the President's fiscal year 1988 appropriations request for ACTION, the Federal Domestic Volunteer Agency. In requesting this support, we at ACTION renew our commitment to meeting America's challenges with the most effective, affordable and potent force in our possession--the spirit and skills of American volunteers. To fulfill our mission the Administration requests $152.997 million for support of ACTION programs and initiatives. This request will allow the Agency to form new partnerships with Federal, State and local governments and with the private sector and individuals to ensure the continued strength and growth of voluntarism in America.

OLDER AMERICAN PROGRAMS

The Administration's FY 1988 request for the Older American Volunteer Programs--the Foster Grandparent Program, the Retired Senior Volunteer Program and the Senior Companion Program--is $103.806 million, which equals the current operating budget. These programs continue to lead the way by fully using the skills and wisdom of older volunteers to help address social issues. In 1985, our support funds for older volunteer efforts drew a local match of nearly $50 million, and early 1986 data indicates an even greater local augmentation of project funding. By expanding public- private partnerships, the opportunity will be available, under our recently amended legislation, to enroll persons age 60 and over who are not low-income for service as non-stipended volunteers in the Foster Grandparent and Senior Companion programs. In this way, we are creating new opportunities for America's older citizens.

FOSTER GRANDPARENT PROGRAM

For 22 years, the Foster Grandparent Program has paired low-income seniors with children who have special or exceptional needs.

Foster grandparents build one-on-one, personal relationships with children, bringing new dimensions of care, compassion and accomplishment to schools for developmentally disabled children, Head Start projects, foster care centers, delinquency programs, and efforts to assist disturbed youngsters.

In fiscal year 1986, about 17,150 Foster Grandparent volunteer service years were realized in 249 community based projects. In addition, about 400 volunteer service years were accumulated in 10 non-ACTION funded projects. On a typical day, 62,000 children received assistance.

As of January 1986, the private sector had contributed $5.438 million to local Foster Grandparent Projects in addition to $13.705 million gained from other non-ACTION sources.

The President's fiscal year 1988 request for $56.1 million will support at least 17,460 Foster Grandparent volunteer service years.

SENIOR COMPANION PROGRAM

The fiscal year 1988 request for $18.086 million will enable ACTION to fund some 5,500 Senior Companion volunteer service years. This year a similar number of volunteer service years will serve more than 24,400 persons at 118 projects around the United States, which includes 900 volunteers who serve in 22 non-ACTION funded projects.

The 1984 Domestic Volunteer Service Act Amendments included provisions for the homebound elderly that authorized the Agency to add 10 to 15 service years to 17 existing projects for a total of an additional 189 volunteer service years. In addition, ACTION created 19 new projects that generated almost 900 volunteer service years. The projects are in their second year of operation. The Senior Companion Program provides thousands of older Americans an alternative to institutional living.

RETIRED SENIOR VOLUNTEER PROGRAM

RSVP, the Retired Senior Volunteer Program, currently sponsors 383,000 part-time, non-stipended volunteers who are age 60 or older. The President's fiscal year 1988 request of $29.620 million will support more than 392,000 volunteers. RSVP is attracting significant private sector and other non-ACTION funding--totaling $22 million in 1985 or about 74% of the federal funds.

RSVP volunteers serve in nearly every area of social service, including literacy, crime prevention, in-home care, youth counseling, consumer education, and drug abuse prevention projects. By the end of this fiscal year, RSVP volunteers will have contributed 71 million hours of voluntary services to their communities.

VOLUNTEERS IN SERVICE TO AMERICA

Since 1964, VISTA, Volunteers in Service to America, has sought to reduce poverty in the United States. Full time volunteers address problems affecting low-income youth, such as drug abuse, illiteracy, unemployment, hunger, and child abuse. Their activities also include support of shelters for the homeless, foodbanks, economic development, migrant and refugee assistance, and neighborhood revitalization.

In fiscal year 1986, VISTA volunteers contributed 2,413 service years to over 500 communities. This year we again expect to contribute 2,400 service years. The President's request for fiscal year 1988 is $20.710 million, an increase of $1.7 million over last year, and will support 2,500 volunteer service years. In January 1987, ACTION published the guidelines for the VISTA

Literacy Corps in the Federal Register. An additional 235 VISTA service years have been allocated to the regions according to national poverty and illiteracy indicators.

SERVICE LEARNING

The Administration is requesting $1.368 million for the Service Learning Program which supports and promotes community service among students.

This fiscal year, we anticipate doubling the number of student service learning grants awarded in fiscal year 1986. The service learning program also will sponsor nine regional student service learning conferences to help bolster campus-based community service programs and to enhance our recruitment of recent college graduates to serve as VISTA volunteers.

ACTION DRUG ALLIANCE

ACTION received $3 million this fiscal year to mobilize and initiate private sector efforts to increase voluntarism in preventing drug abuse through education and public awareness. To use these funds more effectively, the Administration has requested a provision to allow the FY '87 Appropriation to remain available for obligation through September 30, 1988.

The ACTION Drug Alliance is developing initiatives to expand drug abuse prevention and education activities of community-based volunteer groups, with emphasis on long-term self-sufficiency through private sector support.

Our drug abuse prevention and education programs include awarding of demonstration grants to community projects that are models of success and ongoing self-sufficiency; providing technical assistance and information exchange through workshops for parent, youth, service, religious, school and business groups; and creating a nationwide alliance of community organizations, service groups, businesses and corporations. Our efforts are aimed at assisting parent, family, and youth peer groups, through partnerships with service, religious and educational organizations and the business community, to become self-sufficient beyond federal involvement.

OFFICE OF VOLUNTARISM INITIATIVES

ACTION's demonstration grants encourage communities to develop and test volunteer programs. Our emphasis in fiscal year 1987 is on drug abuse prevention and education, literacy and employment, foster care, farm families in crisis, runaway youth, refugees, and programs to strengthen the family. Further, under the Mini-grant, Technical Assistance and State Office of Voluntarism Programs, ACTION will provide seed monies and technical help to local groups and fund the promotion of voluntarism statewide. The Administration request to carry out these initiatives is $1.801 million.

PROGRAM ADMINISTRATION

The President's 1988 budget request for Program Administration is $25.312 million. Just as we encourage grantees to maximize the use of every program dollar, we regularly examine our own operations to see that our appropriation is wisely used.

I have traveled across America and met with thousands of volunteers as they fight the root causes of poverty. I have seen their power to overcome any obstacle. Americans know that their freedom carries with it great responsibility. Americans know that they themselves are best able to decide their communities' needs. They are ready to serve. They do not rely on government to provide costly, monolithic solutions to the complex issues of the '80s and '90s. But no volunteer can do it alone. Volunteers need community support. To create that support, we must forge a cohesive partnership among federal, state and local governments, the private sector and individual volunteers. Every day, America's volunteers roll up their sleeves and work for their neighbors. There is no higher expression of respect for and belief in the inherent dignity of every human being. At ACTION, we endorse these ideals by helping volunteers gain the support they need. At ACTION, we are building partnerships that work. We are showing, as our nation marches into the 21st century, that the spirit which built America has never been more alive.

INTRODUCTION OF ASSOCIATES

Ms. ALVARADO. Thank you, Mr. Chairman.

To my left is the Deputy Director of ACTION, Mr. Rick Ventura, to his left Dan Bonner, the Associate Director for Domestic Operations, and to my right, Mr. Lowell Genebach, the agency's Budget Officer.

Mr. Chairman, I am pleased to present the President's fiscal year 1988 appropriations request for ACTION, the Federal domestic volunteer agency. This request reflects ACTION's continued commitment to meeting America's challenges with the most effective, affordable, and potent force we possess, the spirit and skills of America's volunteers. To fulfill our mission, the administration requests $152.997 million to support ACTION programs and initiatives.

For our older American volunteer programs, the Foster Grandparent Program, the Retired Senior Volunteer Program, and the Senior Companion Program, we request $103.806 million. This level of funding is equivalent to the current operating budget. These programs continue to provide expanding opportunities for older citizens to employ their skills and wisdom as community volunteers. We are seeking to continue to expand these activities by encouraging non-ACTION funding in America's communities, and we are pleased to report that this funding has increased significantly in the past several years.

In the older American volunteer programs, non-ACTION funding provided by State governments totaled $18.4 million, city-county government support equaled $13.4 million, and private sector contributions were $15.7 million. Total non-ACTION funding, $47.5 million for our three older American volunteer programs alone represents an increase of 30 percent over 1983 figures.

Furthermore, we are seeking to expand these activities by entering into agreement with other Federal agencies concerned with older Americans and with addressing the needs in the country. For example, we have signed an agreement between ACTION and another of the agencies that will be testifying this afternoon, the National Commission on Libraries and Information Science, to explore ways to expand opportunities for volunteerism by providing older Americans with library services and volunteer opportunities in libraries.

Under our recently amended legislation, and by expanding private partnerships, we will be able to enroll non-low-income persons in non-stipended service in the Foster Grandparent and Senior Companion Programs.

To assure that VISTA, volunteers in service to America, is able to contribute at least 2,500 service years of full-time volunteers who fight poverty around the United States, the President is requesting $20,710,000 during fiscal year 1988, an increase of $1.7 million over last year.

Also, the administration requests $1.368 million for the Service Learning Program which supports and promotes community service among students and $1.801 million to fund demonstration grants, technical assistance, and State office of volunteerism programs. As you know, ACTION received an additional appropriation of $3 million for fiscal year 1987 to initiate private sector efforts to increase volunteerism in preventing drug abuse through education and public awareness. Because few issues have the enormous social, economic, and emotional impact of drug abuse, the administration requests a provision to allow the funds to remain available for obligation through September 30, 1988.

Mr. Chairman, as Director of this agency, I have traveled across America and visited with thousands of volunteers. What we are talking about is not merely statutory programs administering Federal dollars. We are really talking about people to people impact affecting the lives of some of America's most disadvantaged citizens. We see the social fabric of the country being strengthened by individuals who reach out to assist their neighbors. I have seen these volunteers battling the root causes of poverty, and I have seen their power to overcome any obstacle in the most seemingly hopeless of the problems facing their communities.

I have seen the positive effects volunteerism has on our older citizens, and I believe that our work toward drug abuse prevention and education and our emerging literacy programs are laying the foundation for a better future for our youth and for the Nation as a whole. Therefore, it is up to us to create more opportunties for citizens to serve. No single volunteer can do it alone. Volunteers need partners. At ACTION we are building partnerships that work and we are showing that the spirit that built America has never been more alive.

Thank you, Mr. Chairman.

Senator CHILES. Thank you. I listened to your statement. I take no issue with it at all. I have a hard time understanding why you ask us for $5 million and then when you got $3 million, now you are saying that you didn't need the $3 million. We know $3 million is not going to buy an awful lot of drug abuse prevention, but we know that $3 million in your hands could trigger a lot of volunteers that are there and wanting to work. And so, was it your request that this be cut, or is that an OMB provision?

Ms. ALVARADO. Mr. Chairman, the request I forwarded on behalf of the administration to the committee last year requested $5 million for

ACTION, working together with the White House to develop private sector initiatives, community volunteer efforts, and public awareness for drug abuse prevention.

Eight million dollars has been appropriated in 1987 for these purposes. Three million dollars was allocated to ACTION and an additional $5 million was given to the White House for the Conference on Drug-Free America. So, in effect, $3 million over and above our $5 million request has been allocated for a total of $8 million with $5 million of it to the White House and $3 million of it to ACTION.

You are certainly correct in your statement that by utilizing volunteers we will be able to make the most of this $3 million. We have had a tremendous amount of success in the agency in attracting community support for these programs. For example, through our volunteer programs funded through demonstration grants we have generated 30 statewide parents' networks against drug abuse in 30 States. All 30 of these networks are currently self-sufficient and operating without Federal funding.

It is this kind of activity that we hope to promote not only through our $3 million in new moneys but also by allocating $500,000 out of our demonstration grant moneys, as well as promoting RSVP volunteers, VISTA volunteers, and service learning volunteers, to engage in drug prevention efforts.

Senator CHILES. I did ask you something about whether it was OMB that cut the money or not.

Ms. ALVARADO. Well, Mr. Chairman, I learned a real important lesson when I served here in the Senate. In fact, I worked for Senator Simpson on the immigration bill, which I know you were greatly involved in. I learned that as members of a team we always have the opportunity to express different views and advocate different positions, but once the overall marching orders are there, we all reflect the same point of view.

Senator CHILES. I understand that. I think you also learned when you worked on the Hill, though, that once in a while we like, when we ask you a straight question, to get a straight answer, even though you are a member of the team. I asked you whether that was your idea to cut that money or OMB's.

Ms. ALVARADO. Well, Senator, I have to answer that by saying respectfully that my position is that we will be able to increase the number of community volunteer programs with the $3 million, and I do support the President's fiscal year 1988 budget request.

Senator CHILES. You support it, but was the request for the cut made by you in the figures that you asked OMB for, or was it made by OMB?

Ms. ALVARADO. Senator, I had requested, as you know, the original $5 million; then as part of the overall administration package it was determined that, with the additional $5 million that was given for the White House conference that the additional moneys would have been spent in a different way for the same purpose.

Senator CHILES. Well, I hope that you can spend the $3 million effectively, because you had better get set. We are going to end by giving it to you again.

Ms. ALVARADO. OK, Senator. We have requested to spend the money over 2 years, but in the event that we are required to spend all $3 million in 1987, we have issued in the Federal Register a notice of availability of funds and we will be able to spend all of those funds if required to by law.

Senator CHILES. Good. Since you have not placed any of the section 109 literacy volunteers yet, and they will serve for at least 1 year, it would seem you would be required to support this higher level of service years much through 1988 and—with 1988 funds. Your budget request asks us to terminate funds for section 109 in 1988. It says these activities should be continued through the increased involvement in the private sector. Can you guarantee the committee that you will be able to maintain this higher level of service for literacy in 1988 without the $2 million?

Ms. ALVARADO. Yes, Senator; we have estimated that we will be able to because we have an additional 100 volunteer service years available in 1988. This coupled with the existing increase in the VISTA Literacy Program, should allow us to maintain 210 volunteers.

Senator CHILES. You do not take that money from somewhere like hunger or homelessness so you can fund the Literacy Program?

Ms. ALVARADO. Well, Senator, this was one reason why initially I expressed reservations about creating a subcategory within VISTA. What we would like to see is local communities having the opportunity to determine what their priorities are; when we set aside a certain amount for a given focus area it does necessarily reduce the resources available for other community priorities.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. Thank you. I have some other questions for you but we will ask those for the record. Thank you.

Ms. ALVARADO. Thank you.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

DRUG ABUSE PREVENTION

QUESTION: **Why, if you requested us to appropriate an additional $5 million for 1987 for Drug Abuse Prevention in September, are you now telling us that $3 million is too much for 1987?**

ANSWER: In September of 1986 the President forwarded to Congress legislation and administrative proposals to increase by nearly $900 million dollars the resources available to increase the Federal effort to fight drug abuse. The President's budget proposal included $5 million for the White House and ACTION for Public Awareness which would be used to fund private sector initiatives and the expansion of work at all levels of government to foster and promote voluntarism.

That budget proposal was fulfilled, and in fact exceeded by Congress' appropriation for FY '87. Congress appropriated a total of $8 million for Public Awareness efforts, $5 million for the White House Conference on Drug Free America and $3 million for ACTION.

The Administration has reviewed the comprehensive Anti-Drug Abuse Act of 1986 and made FY '88 budget proposals at a level consistent with achieving the goals of the President's drug abuse initiative. ACTION feels there is adequate funding, with appropriate inter-agency cooperation and the development of public/private partnerships, to fully achieve its public awareness responsibility.

QUESTION: **How much of the additional $3 million we provided for Drug Abuse Prevention programs has been spent to date?**

ANSWER: The total ACTION Drug Alliance budget for FY 1987 of $3.5 million includes $508,000 already budgeted for Title I, Part C demonstration grants for drug abuse prevention activities. To date, $1.5 million has been designated for community based volunteer demonstration grants, pursuant to the Notice of Availability of Funds published in the Federal Register on March 2, 1987. $285,114 has been spent on other demonstration projects combating drug abuse, and $127,000 has been spent on support and public awareness efforts.

QUESTION: What amount has been spent so far this year for demonstration projects for drug abuse?

ANSWER: $285,114 has been spent for demonstration projects that combat drug abuse.

QUESTION: How will the additional $3 million be used?

ANSWER: The $3 million for ACTION's drug abuse initiative was appropriated pursuant to a new authorization in Title I Part C, the demonstration grant authority of the Agency. For FY '87 ACTION had already budgeted $508,000 for Part C monies for drug abuse prevention activities. This establishes a total FY '87 operating budget for drug abuse prevention in the amount of $3.5 million.

We have completed our budget planning project to expend all these funds prior to September 30, 1987, in the event a provision is not adopted to allow us to expend these monies through September 30, 1988. This budget provides for the following:

Demonstration Grants	$1,500,000
Mini-Grants and Technical Assistance	190,000
Development of Community-based Coalitions with Private Sector (Regional/State/ Conferences/Workshops)	535,000
Evaluations	100,000
Public Affairs/Media	200,000
Public-Private Partnerships/ National Programs/Parent Groups	783,000
Support (Personnel and Administration)	200,000
	$3,508,000

LITERACY CORPS

QUESTION: What was the average number of VISTA service years for Literacy Projects in 1986?

ANSWER: The number of VISTA Volunteers and VISTA projects involved in literacy at the end of each quarter of FY 86 are as follows:

12/31/85	112 projects; 640 volunteers on board
3/31/86	110 projects; 598 volunteers on board
6/30/86	108 projects; 546 volunteers on board
9/30/86	108 projects; 474 volunteers on board

QUESTION: **Your budget justification says we can expect an additional 235 service years above the 1986 level as a result of the $2 million we appropriated for Section 109 Literacy Projects. Is that correct?**

ANSWER: Yes, we are currently projecting that approximately 235 volunteer service years will be produced out of the $2 million appropriated for Section 109 literacy projects. Final estimates will be provided by April 15, 1987 after ACTION field staff has submitted their estimates for the remainder of this fiscal year.

QUESTION: **Since you have not placed any of the Section 109 Literacy Volunteers yet, and they will serve for at least one year, you will be required to support this higher level of service years through much of 1988 with 1988 funds. Your budget request asks us to terminate funds for Section 109 projects in 1988 and says that these activities will be continued through the increased involvement of the private sector. Can you guarantee this Committee that you will be able to maintain this higher level of service years for Literacy in 1988 without the $2 million?**

ANSWER: The level of service years for literacy is primarily determined by local communities. In FY 87 our projection for new projects according to emphasis areas is:

*	Illiteracy	40
	Hunger	16
	Unemployment	11
	Homelessness	18
	Drug/Alcohol Abuse	19
	Economic Development	19
	Health	16

* (This chart does not include the projects to be funded by the $2 million Literacy Corps Supplement (Section 109.)

As you will note from these figures, illiteracy accounts for a significant proportion of new project development. We do not anticipate a significant change in this trend in FY 88.

In FY 87 our Section 109 volunteers will be through grants and regular placement.

Based on our current placement estimates, a continued strong local interest in VISTA literacy projects, and a 2500 service year level, we should be able to maintain the 87 level of VISTA literacy activity.

QUESTION: **Will you be required to pay for these Literacy projects in 1988 by reducing VISTA service year commitments to projects on hunger, the homeless, drug abuse, aging and other areas?**

ANSWER: No, we do not anticipate having to reduce VISTA service year commitments in FY 88 in other emphasis areas due to the following:

a. anticipated completion of approximately 25% of VISTA projects in FY 88;

b. expected pattern of regular and grant volunteer placements in FY 87 under Section 109;

In FY 87 our projection for new projects according to emphasis areas is:

*	Illiteracy	40
	Hunger	16
	Unemployment	11
	Homelessness	18
	Drug/Alcohol Abuse	19
	Economic Development	19
	Health	16

* (This chart does not include the projects to be funded by the $2 million Literacy Corps Supplement (Section 109.)

We would not anticipate a significant change in this trend for the requested additional 100 VSYs for FY 88.

QUESTION: **What percentages of the additional 100 service years that you expect for 1988 for the regular VISTA budget will have to be used for Literacy projects, if we do not provide $2 million for Section 109 in 1988?**

ANSWER: We estimate we would be able to absorb all Section 109 volunteers within a 2400 VSY budget due to the following:

a. anticipated completion of approximately 25% of VISTA projects in FY 88;

b. expected pattern of regular and grant volunteer placements in FY 87 under Section 109;

The portion of the additional 100 service years which may be used for literacy activities in FY 88 will be determined by local community needs. In FY 87 our projection for new projects according to emphasis areas is:

*	Illiteracy	40
	Hunger	16
	Unemployment	11
	Homeelessness	18
	Drug/Alcohol Abuse	19
	Economic Development	19
	Health	16

* (This chart does not include the projects to be funded by the $2 million Literacy Corps Supplement (Section 109.)

We would not anticipate a significant change in this trend for the requested additional 100 VSYs for FY 88.

SENIOR COMPANION PROGRAM

QUESTION: A recent GAO report on meeting the needs of the elderly concludes that 168,000 older Americans lacked regular help with one or more fundamental activities of daily living. The Senior Companion Program serves a clientele that is equal to about 10 percent of that number (approximately 5,000 volunteers serve 16,000 clients).

What is the ACTION Agency doing to try to reach and serve an additional number of needy elderly through the Senior Companion Program?

ANSWER: As a result of the increased appropriation of $3.0 million to implement the Homebound Elderly provisions the Agency has funded 19 new grants and expanded 17 existing projects. When fully mature, these projects will generate over 1,000 additional volunteer service years serving approximately 3,500 new clients.

Moveover, during the past several years the Agency has increased partnerships with state and local governments and the private sector to expand services to this high risk population. From 1983 to 1985, non-ACTION funding support from the public sector has increased by 45% ($3,718,600 to $5,400,300). During the same period, funding support from the private sector has increased by 128% ($722,300 to $1,645,200). We will continue our efforts to further these partnerships to assist in meeting the increasing needs of this group.

QUESTION: **The recent amendments to the Senior Companion Program increase the authorization level significantly, to $31 million for 1988. The amendments recognized the extraordinary taxpayer savings realized by enabling infirm seniors to remain at home and providing low-income seniors with a small income. Given these multiple benefits to the taxpayers, why aren't you requesting an increase for this program?**

ANSWER: Within the context of the federal deficit and the requirements of The Balanced Budget and Emergency Deficit Controlled Act of 1985, we have not requested increased federal appropriations. However, recognizing the cost effective nature of Senior Companion services to older persons at risk of institutionalization, we have concentrated efforts to increase our partnerships with state and local governments and the private sector. As I previously indicated, these efforts have been productive and we expect to see continued success in this endeavor.

QUESTION: **If the Committee was to provide an increase of $13 million to fully fund the Senior Companion Program, approximately how many additional projects could be funded and how many additional volunteers and clients would be served?**

ANSWER: An increase of $13 million above current appropriations would support an annualized level of approximately 3,940 new Volunteer Service Years (VSYs). The additional volunteers would serve approximately 13,800 new clients annually. The additional VSYs would equate to 65 projects of 60 VSYs each.

RECRUITMENT OF COLLEGE GRADUATES

QUESTION: **The Domestic Volunteer Service Act requires you to engage in specialized campaigns to recruit college graduates for the VISTA program. Please explain what actions you have taken?**

ANSWER: The following steps have been taken to recruit college graduates for the VISTA program:

(1) Mailing to College Placement Offices (approximately 2,000) - at start of 86-87 academic year to provide general information on VISTA program via recruitment posters.

(2) Skill Tear-Off Card Poster - designed to encourage college students to apply their academic knowledge to practical experience. The poster, which contains VISTA's toll-free number, has been mailed to approximately 2,000 college placement offices. In addition 120 college presidents who are members of Campus Compact have been individually contacted by the Director of ACTION about supporting VISTA recruitment on their campuses. Skill cards which are returned to VISTA headquarters from the campus mailing will be included in the VISTA Applicant Talent Bank.

(3) Campus Opportunity Outreach League (COOL) - a coalition of campus-based student volunteer programs which has been distributing VISTA recruitment flyers and posters at 9 cost-free service-learning conferences on campuses throughout the country this year. The conferences are designed to promote voluntarism among the college-age population. The Director of VISTA has also sent a follow-up letter to approximately 400 students who attended the conferences.

QUESTION: **What additional recruitment efforts do you anticipate for 1988?**

ANSWER: We anticipate conducting similar types of college campus recruiting activities in 1988 although final decisions will await an agency assessment of the response generated by, and actual volunteer placements made as a result of the skill card posters. The findings of the first phase of the VISTA Evaluation will also be a factor in our overall recruitment plans for FY 88.

QUESTION: **What goals have you set for the number of college graduates to be placed in 1987 and 1988?**

ANSWER: The number of college graduates to be placed in 1987 and 1988 will depend upon the needs of VISTA sponsoring organizations. If a project sponsor is unable to identify on a local basis, VISTA Volunteers with the skills or educational background needed to perform the project assignment, ACTION will provide assistance via the Applicant Talent Bank. This assistance may include referrals of college graduates whose backgrounds match the sponsor's needs.

QUESTION: **How many VISTA volunteers have been placed outside of their own communities since October 1, 1986? How many do you anticipate placing in this manner by the end of the fiscal year?**

ANSWER: Although we have no current statistics on the number of VISTA Volunteers who have been recruited from outside their own communities since October 1, 1986, volunteers on a sample of VISTA projects to be evaluated in the FY 87 and FY 88 will be asked where they were living when they applied for VISTA service. This sample will provide a representation of the percentage of volunteers recruited from outside their own communities.

Volunteers are recruited to serve on projects in other than their own communities when they possess special skills which VISTA sponsors cannot find locally. In such cases, placements of volunteers are done on an inter-state or inter- regional basis.

QUESTION: **Ms. Alvarado, do you believe that the subsistence allowance for VISTA volunteers is sufficient to allow a college graduate to set up a household in an area away from their original home?**

ANSWER: The current average subsistence allowance rate for VISTA Volunteers is $5,058 per year. The 1987 HHS Poverty Income Guideline for a single individual is $5,500. The ACTION Agency is requesting a 10% increase in the subsistence allowance in FY 88 in order to bring the Volunteers' allowance in line with the poverty index.

Section 104(a) of the Domestic Volunteer Service Act requires VISTA Volunteers "to live among and at the economic level of the people served." All volunteers, regardless of background or geographic location, must live at the level of a low-income, single individual. We believe that our allowance structure allows that to happen.

Volunteers who are assigned to low-income communities away from their original home of record have the option of sharing household expenses with other Volunteers or with members of the local community. This option minimizes any financial hardship which Volunteers who have to relocate may face.

PROJECT SITE VISITS

QUESTION: **As you know, the Congress has been concerned for some time with your Agency's failure to provide for at least two site visits per year for each volunteer project. Many believe that at least two site visits are necessary for proper oversight and management of the projects. Given this concern, why are you requesting a cut of almost 30 percent for your staff travel budget?**

ANSWER: The Agency has received essentially the same program administration appropriation for the past five years, and the FY 1988 request is for the total amount authorized. Increases in rents, personnel benefits, and other areas have offset the amount available for staff travel. These factors account for the major portion of the reduction of $205,000 shown in the object class table for program administration. We have reduced travel funds for headquarters and regional staff, in order to allow the state offices to accomplish the required site visits.

QUESTION: **What level of staffing and funding for staff travel would be necessary to pay for two site visits per year.**

ANSWER: If the Agency achieved its full-time equivalent employment (FTE) ceiling of 511, the cost for two project site visits per year would be approximately $500,000. This compares to an allocation of $175,000 in the FY 1987 budget and $100,000 in the FY 1988 request for travel associated with project monitoring.

STATE AND REGIONAL OFFICES

QUESTION: **Do you have any plans to eliminate any regional or state offices either in 1988 or in the future?**

If so, please tell us which offices would be closed and whether they are currently staffed by career civil servants or political appointees.

ANSWER: Our 25 million support budget is continually stretched with uncontrollable increases including rent, telecommunications, pay raises, and retirement costs. While Congress has increased our program expenditures by 26.8% over the last five years, our authorized and appropriated levels for program support have remained fixed at $25 million. We have explored many possible alternatives to offset the effects of these uncontrollable increases, including reduction in travel, allowing staffing vacancies to remain unfilled, minimizing the purchase of supplies and equipment and reducing training, as part of our attempt to function within the limitations Congress has imposed. Additionally, we are reviewing staffing within the agency. Organizational options may well exist that will result in savings and thereby enable us to provide the necessary support for our programs without jeopardizing the quality or effectiveness of our programs. At this time we are still reviewing this situation. Specific offices to be closed, if any, have not yet been identified.

VISTA FOCUS AREA

QUESTION: **Please supply for the record a table showing non-duplicated service year commitments for each VISTA purpose area (i.e., hunger, homelessness, iliteracy, unemployment, drug and alcohol abuse, domestic violence and child abuse, needs of low-income seniors, the handicapped, migrant farm workers, Native Americans, all others) for each quarter for 1985, 1986 (enacted), 1987 (estimated), and 1988 (proposed). Under the "illiteracy" purpose, please supply separately the level of service-year commitments attributed to Section 109 volunteers and non-Section 109 volunteers.**

ANSWER: Volunteer service years are allocated each fiscal year according to poverty statistics among the nine ACTION regions. They are not allocated according to program emphasis areas.

The attached chart displays the number of volunteers assigned, and number of VISTA projects operating, in each of the major program emphasis areas as of the end of each Quarter of FY 85 and FY 86. (SEE ATTACHMENT I)

ATTACHMENT I

COLUMN I = Number of Projects
COLUMN II= Number of Volunteers

PURPOSE AREA	I 12/31/84	II	I 3/31/85	II	I 6/30/85	II	I 9/30/85	II	I 12/31/85	II	I 3/31/86	II	I 6/30/86	II	I 9/30/86	II
HUNGER	97	405	107	429	124	522	133	572	128	554	129	545	127	486	131	479
HOMELESSNESS	42	194	53	239	68	278	73	346	72	330	71	301	73	289	74	267
ILLITERACY	95	455	101	500	114	573	117	591	112	640	110	598	108	546	108	474
UNEMPLOYMENT	96	480	113	518	119	616	120	606	116	593	112	551	102	531	117	521
DRUG/ALCOHOL ABUSE	69	412	77	462	78	458	85	431	78	464	77	441	74	419	69	355
DOMESTIC VIOLENCE	16	54	17	65	21	87	26	110	24	104	24	90	24	102	31	127
CHILD ABUSE	22	92	26	97	34	123	32	139	32	129	31	137	34	149	45	200
SENIORS	65	346	65	356	70	431	72	416	70	419	65	383	66	369	55	240
HANDICAPPED	36	171	37	202	47	249	47	228	47	249	46	233	43	215	48	218
MIGRANT FARM WORKERS	--	---	---	---	--	---	4	30	5	27	5	31	5	28	2	12
NATIVE AMERICANS	8	45	7	66	9	63	8	51	9	52	10	54	11	57	13	53

Since some projects focus on more than one emphasis area, projects and volunteers may be counted more than once. We are not able to provide statistics on "non-duplicated" service years since Volunteers are tracked only by the sponsoring organization to which they are assigned regardless of the number of emphasis areas a particular project may serve.

We do not have projections on the number of volunteers estimated to be assigned by emphasis area in FY 87 or FY 88. The chart below indicates the number of estimated new projects to be developed in each major emphasis area during FY 87.

Emphasis Area	No. of Projects
Illiteracy	40
Illiteracy (Section 109)	35
Hunger	16
Unemployment	11
Homelessness	18
Drug/Alcohol Abuse	19
Economic Development	19
Health	16

QUESTION: **What is the usual ratio of service years generated by grants to service years generated through regular placement for other VISTA purposes?**

ANSWER: The current average number of VISTA Volunteers assigned per standard, or non-grant, project is 4.6.

In FY 85, VISTA funded 13 program grants for a total of 179 service years, representing an average of 13.8 volunteers per grant project. In FY 86, VISTA funded 2 program grants for a total of 32 service years, or an average of 16 volunteers per project.

Grant projects are approximately 3 times larger than a standard VISTA project.

QUESTION: **What is the cost of a service year for non-literacy volunteers under Part A?**

ANSWER: The projected FY 87 service year cost for a non-literacy VISTA Volunteer is $7,825.

QUESTION: **What is the cost of a service year for Section 109 volunteers?**

ANSWER: Service year costs for a section 109 volunteer is projected to be $7,825 for a non-grant volunteer and $9,000 for a grant volunteer.

QUESTION: **Do these costs differ for service years generated through grants versus those generated through regular placement for Section 109 volunteers?**

for non-Section 109 literacy volunteers?

for non-literacy volunteers under Part A?

If so, please supply service year cost levels for each?

ANSWER: The service year cost levels for all categories are provided in the chart below:

	2400		Section 109
	Non-Literacy	Literacy	Literacy Supplement
Grant	$9,000	$9,050	$9,000
Standard	$7,825	$7,875	$7,825

QUESTION: **Of the 235 service years to be generated through the $2 million appropriation for Section 109, what number of service years will be generated through grants and what number through regular placement?**

ANSWER: There will be 160 Volunteer Service Years generated through grants and through regular placements under Section 109 there will be 75 Volunteer Service Years generated.

QUESTION: **What is your timetable for the placement of Section 109 literacy volunteers and non-Section 109 literacy volunteers?**

ANSWER: Placement of Literacy Corps Volunteers under Section 109 will begin on April 15, 1987 in accordance with the final implementation of the VISTA Literacy Corps Guidelines as published in the FEDERAL REGISTER, February 27, 1987. Non-Section 109 literacy volunteers have been placed since October 1, 1986. Four hundred seventy-four (474) volunteers were already assigned to non-Section 109 literacy projects on October 1, 1986. Through January 31, 1987, an additional 101 volunteers were placed on non-Section 109 literacy projects.

QUESTION: **I understand that the RSVP Directors Association is interested in working for a reduction in the age of eligibility for participating in RSVP -- from 60 to 55 -- in order to enable an increasing number of "early retirees" to become involved in RSVP.**

If all current RSVP projects were to develop components of volunteers aged 55 to 60, what would be a reasonable dollar amount, per project, to accomodate such an expansion?

ANSWER: By the end of FY'87 it is anticipated that RSVP will field approximately 383,500 volunteers aged 60 years or older. This represents 1.08% of the total 60 plus population of 35,607,000 reported in the 1980 census. Therefore, if additional funding were in prospect for RSVP, a very good case could be made for serving a larger segment of the 60 plus population before expanding the target group to something less than age 60. The census further indicates that the 55 to 59 year age group involves 11,615,000 additional persons or an increase of over 32%.

There is not a straight line relationship between project costs and the number of volunteers fielded because no stipends are paid. However, there is a broad spectrum of per volunteer costs because of differences in project productivity. The average federal cost per volunteer per year is approximately $80 per year. Therefore, to increase the number of volunteers by 1% or 3,835 volunteers might cost approximately $306,800 per year in additional appropriation. Similarly an increase of 10% or 38,350 volunteers might cost $3,068,000 per year.

According to FY'85 figures, the age 60-69 segment of RSVP enrollment of 127,000 volunteers represents 0.67%, or the smallest representation of the national population in that age group of 18,870,000 citizens. For the 70-79 age segment the representation is 1.42%. At 80-84 the representation is 1.44%. At 85 and over the figure drops to 0.83%. The total representation of the 60 plus population at that time was just under 1%.

QUESTION: **Last year during reauthorization of the Domestic Volunteer Service Act, the issue of service by senior volunteers to adult institutionalized mentally retarded individuals was raised.**

What is ACTION currently doing to reach this target population, and if ACTION were to initiate pilot projects to serve this group, what amount of funding would be necessary for five to ten pilot projects?

ANSWER: In FGP, there is now ample provision in current legislation which allows continuation of volunteer services for the mentally retarded beyond age 21 provided that such service was initiated when the child was still under 21. In 1986, 119 projects (46% of projects) served 3,237 mentally retarded adults (5% of clients) in institutional settings. Individual projects ranged from one to 421 mentally retarded adults served, with an average of 28 per project. Approximately 925 Foster Grandparents (5%) were involved in this service. An additional 107 mentally retarded adults were served in other settings such as sheltered workshops. A total of 965,700 hours of service were provided in 1986.

In 1986, 19 Senior Companion Program projects (18% of projects reporting) had a total of 718 Senior Companions (11% of Senior Companion's reported) serving adult mentally retarded in institutional settings. Individual projects ranged from one to 270 Senior Companions serving this population. A total of 2,040 (9% of clients reported) were served by these Senior Companions. An additional unknown number of mentally retarded adults who reside in institutional settings are served at rehabilitation centers, sheltered workshops and other types of volunteer stations. A conservative estimate is an additional 150 Senior Companions (2%) serving over 500 persons (2%) in 13 projects (12%). A total of 906,192 hours of service were provided in 1986.

In RSVP, 6,100 volunteers were serving mentally retarded individuals. Unfortunately we do not have a breakout of services by age or institutional versus community settings. In 1986, an estimated 1,176,040 hours of service were provided by these volunteers.

Since ACTION is currently involved in providing a significant level of services to the adult institutionalized mentally retarded and has over ten years of experience in delivering these services, pilot projects do not seem an appropriate vehicle. Components to existing projects to expand services would vary in cost depending on the particular program involved. Ten volunteer service year components in FGP and SCP range from $30,000 to $33,000 each. Fifty RSVP volunteer components cost approximately $5,000 each.

OAVP BUDGET

QUESTION: **The majority of Older American Volunteer Projects around the country have existed with frozen budgets during the 1980's. What effect has this situation had on the projects' ability to recruit and maintain additional volunteers?...To provide reimbursements to volunteers, such as for their transportation expenses?...To retain and provide adequate compensation to project staff?**

ANSWER: Federal budgetary constraints, for the most part, have impacted minimally on OAVP. In RSVP at the present time, the local match to our federal dollars exceeds 45%. To date, the local sources for funds have proven to be adequate. Volunteer strength has grown each year. New initiatives have been generated.

Although federal support for individual SCP and FGP projects has remained relatively constant for the past few years, other public and private support has increased dramatically. In SCP from 1983 to 1985, public sector support increased 45% and private sector support increased 128%. During the same time frame, FGP public sector support increased 10% and private sector support increased 118%. In general, these non-ACTION sources have enabled local projects to maintain volunteer levels and the level of volunteer and administrative support. In many instances volunteer levels have increased.

OAVP has traditionally adhered to a position that compensation for project staff is a local matter determined by the local sponsoring entity.

Because of low attrition rates and the lack of new funding for Foster Grandparents and Senior Companion Programs, the average age of these volunteers has been steadily increasing.

QUESTION: **What is the average age of the volunteers in the Grandparent and Senior Companion Programs, currently?**

ANSWER: In 1986, the age distribution of Senior Companions was:

60 - 69 years - 45%
70 - 79 " - 46
80 - 84 " 7
85+ " 2

For FGP the distribution was

60 - 69 years 39%
70 - 79 " 49
80 - 84 " 9
85+ " 3

QUESTION: **What efforts has ACTION made to provide opportunities for "younger" senior volunteers to participate in these programs?**

ANSWER: Within the FGP and SCP, annual national attrition rates are in the 16-20% range. Consequently, an average project with 60 volunteers recruits 10-12 volunteers annually. The project can replace "older" volunteers resigning for primarily health reasons, with "younger" volunteers. Recruitment plans and implementation are determined at the local level. Factors such as the actual attrition rates, local recruitment priorities and changing demographics in the aging population affect recruitment of volunteers.

QUESTION: **What impact, if any, has the preponderance of "older" senior volunteers in these programs had on their ability to address community needs as they carry out their assignments?**

ANSWER: While overall functioning and ability to serve may decline in some individuals, recent impact evaluations on both Programs indicate this is not the case for the total groups of volunteers sampled. In SCP, the Senior Companions showed a 3% improvement in overall functioning over a five-year period. The control group of non-volunteers experienced a 14% decline over the same period.

In FGP, the Foster Grandparents experienced a similar improvement, although less dramatic over a three-year period. During the time frames of both studies, Foster Grandparents were increasingly serving in community placements and the vast majority of Senior

Companions were serving in in-home placements. With the increasing diversification of FGP, and SCP's response to the growing needs of the homebound elderly, we must continue to provide a range of opportunities to meet differing volunteer abilities and needs regardless of age. We will continue to place primary importance on matching the volunteers and children and adults served with the capabilities and desires of both parties in mind.

QUESTION: **For the record, please provide in detail a breakdown of what amounts of the ACTION Agency's budget was committed to projects related to drug abuse prevention in 1986 and 1987.**

ANSWER: The following is a list of projects, amounts spent and a description of each project in drug use prevention for 1986 and 1987.

ANSWER: American Council for Drug Education, Rockville MD — $23,072

FY'86

To research produce, and distribute a guide to Office Practice for Pedictricians on Drug Abuse.

The Alcoholism Council, Inc., Cos Cob, CT — 24,545

Statewide networking grant. Developing a coalition of Parent Groups.

New Hope Foundation, Inc., Jackson, MS — 26,050

Addresses the causes of alcohol and drug abuse. Administers an alcohol/drug abuse awareness prevention program to assist low-income, minorities, women and youth through the use of volunteers.

Wisconsin Network/NFP, Inc., Mishicot, WI — 23,287

Statewide networking grant. Operates a resource center. Assists in the formation of parent/community/youth groups. Annual conference on Drug Abuse.

Oregon Free From Drugs, Inc., Portland, OR — 30,000

Statewide networking grant, Held a statewide conference for volunteers. Acts as a statewide resource center.

Waterville Parents for Drug Free Youth, Waterville, ME 24,833

Statewide networking grant for volunteer parent groups. Shares information on drug use and methods of mobilizing parent groups.

Georgia State University (PRIDE), Atlanta, GA $224,929

Nationwide Resource Center for volunteer. Operates toll-free number providing assistance and materials to thousands of volunteers. Hosts an International Conference each year that is attended by thousands of parents and youth including representatives from a large number of foreign countries.

Oklahoma Federation of Parents, Tulsa, OK 30,000

Statewide networking grant. Operates a network of parent groups. Assists in forming new groups. Serves as an information center.

PRIDE of Central Michigan, Mount Pleasant, MI 13,800

Held statewide workshop for volunteers. Organizes and trains colleges to conduct drug abuse prevention programs in high schools.

FY '87

Parents Communication Network of Minnesota, Apple Valley, MN 28,550

Identifies volunteer consultant in Minnesota. Organizes chapters of the communication network composed of local volunteers. Provides information on chemical use and chemical free activities for youth. Networks local volunteer groups.

The Cottage Program International, Salt Lake City, UT 15,000

Enables the implementation of a student service-learning project in correctional settings.

Just Say No Foundation, 49,900
Walnut Creek, CA

Disseminates "Just Say No" informational booklets to educational clubs and drug abuse prevention programs in communities.

National Parents Resource Center 151,664
for Drug Education (PRIDE), 40,000
Atlanta, GA

Nationwide Resource Center for Volunteers. Operates toll-free number providing assistance and materials to thousands of volunteers. Parent groups, individuals and service organizations. The toll-free number has been listed in many different publications promoting drug-free life styles for youth.

VISTA RECRUITMENT

QUESTION: **Please supply for the record the number of recent college graduates serving as VISTA volunteers in the states of Mississippi, Florida, Oregon and Connecticut in 1981 and 1986.**

ANSWER: We have no data on the number of college graduates serving in the VISTA program, by state, in 1981.

The number of volunteers who graduated from college in the last five years and served in the following states in 1986 is:

Mississippi - 7
Florida - 1
Oregon - 14
Connecticut - 12

With regard to nationwide statistics, data recently collected during the first phase of a two-year VISTA Evaluation indicate that over 40% of the VISTA volunteers interviewed completed college and 17% attended graduate school.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

NON-FEDERAL SUPPORT

QUESTION: **Ms. Alvarado, you have stated "ACTION" will build on its success in securing non-federal support for such activities as**

service-learning and statewide volunteer coordination programs to provide for the continuation and expansion of the drug abuse prevention and literacy programs.

What success has "ACTION" had in securing non-federal support?

ANSWER: Non-ACTION funding has increased significantly in the past several years. In ACTION's Older American Volunteer Programs, for example, non-ACTION funding provided by state governments totaled $18.4 million; city/county government support equaled $13.4 million; and private sector contributions were $15.7 million. Total non-ACTION funding -- $47.5 million -- for our three OAVPs alone represents an increase of 30% over 1983 figures.

ACTION is publishing a Notice of Availability of Funds for demonstration grants totaling $1.5 million. Within the prescribed language of the grant availability announcement, self-sufficiency is the emphasis. We are requiring up front coordination with a commitment from private sector or third party involvement, to stand behind the project from the outset. We envision, local community businesses and chapters of services organizations to agree at the beginning that the project is worthy and capable of handling continued and committed support.

PRIVATE SECTOR FUNDING EXAMPLES:

In RSVP as of January 1986, non-ACTION funding consisted of $21.96 million from all sources to augment the federal funding of $29.62 million. Of the total of $21.96 million, $3.85 million came from State governments, $9.14 million from city and county governments, and $8.97 million from private sources. The non-ACTION funding represents approximately 43% of the total funding of $51.58 million, considerably in excess of the 30% required by legislation. From another perspective, the $21.96 million contributed by non-ACTION sources represents 74% of the ACTION appropriation, or nearly $3 for every $4 of federal funding.

Service Learning

Student Service-Learning Project sponsors are eligible to apply for federal funding over a three-year period, submitting renewal applications for the second and third years.

Each project sponsor is responsible for providing at least $3,000 in non-federal share contribution for each of the grant's operation. The federal funding contributions are up to $15,000 for the first year, up to $10,000 for the second year, and up to $5,000 for the third year. Therefore, a sponsor funded for three years would contribute $9,000 in order to receive up to $30,000 of federal funds.

In FY 1986, the Student Service-Learning Program was able to fund 27 projects with this local support. The sponsoring organizations included educational institutions, voluntary action centers, and local government agencies. We anticipate that approximately 54 new projects will be funded in FY 1987.

FREEZE

QUESTION: **Ms. Alvarado, while you do propose an increase in "VISTA" volunteer service years and subsistence allowances, you propose essentially freezing and in some cases cutting parts of "ACTION's" overall budget?**

How do you plan to absorb such cuts and freezes?

ANSWER: The two program areas for which we have not requested funding in FY 1988 are the VISTA Literacy Corps and the Drug Abuse Prevention Program; all of our other activities are maintained at the FY 1987 funding level with the exception of VISTA, for which we have requested an increase for additional service years and a subsistence increase.

At this time we do not anticipate having to reduce VISTA Literacy Corps service year commitment in FY 88 due to; a) anticipated completion of approximately 25% of VISTA projects in FY 88; b) expected pattern of regular and grant volunteer placements in FY 87 under Section 109.

However, if in FY 88 the demand for VISTA volunteers assigned to literacy projects exceeds our current projections, we could use a portion of the anticipated new 100 service years to meet those demands.

Our goal at ACTION is to assist VISTA and demonstration projects to develop greater financial self-sufficiency. The VISTA program guidelines stipulate that the VISTA volunteers role in addressing the problem of poverty in a particular community is to mobilize community resources and increase the capacity of the low income community to meet its own problems. It is crucial to the concept of achieving self-sufficiency among the low income community that sponsors plan for the eventual phase out of VISTA volunteers.

As published in the Federal Register, self-sufficiency is prescribed by the language of the grant announcement for ACTION Drug Alliance. We are requiring up-front coordination with the commitment from the private sector or third-party involvement, to stand behind the project from the outset. We envision local community businesses and chapters of service organizations to agree at the beginning that the project is worthy and capable of handling continued and committed support.

ACTION trains and provides technical assistance to VISTA and demonstration grant program staff on the principles and methods to achieve self-sufficiency through activities designed to increase financial and technical support from non-federal sources. Many communities have already begun looking at ways to mobilize their local resources to address the problems of illiteracy and drug abuse.

We have been very encouraged by the participation of the private sector and state/local governments in the support of our programs, and we look to the increased involvement of corporations and local service groups to strengthen and augment activities begun by ACTION-sponsored volunteers.

LITERACY CORPS

QUESTION: **Ms. Alvarado, "ACTION's" FY 88 request does not include any funds for the "ACTION" Literacy Corps which was just created in last year's reauthorization bill and funded in the FY 87 Appropriation Bill.**

In your budget justification you state that "the purposes of the program can be accomplished more efficiently and effectively through the Agency's on-going programs."

Why do you believe this is the case?

ANSWER: The hallmark of the VISTA program is its ability to respond to the community needs identified at the local level. ACTION strongly advocates maintaining flexibility with regard to VISTA Volunteer assignments. The local community is the best qualified to determine whether its VISTA resources are most needed to assist with the homeless, unemployed, literacy, at risk youth, etc.

QUESTION: **Will any of the increased funding you propose for "VISTA" volunteer service years and volunteer subsistence allowance go toward Literacy Corps activities?**

If so, how much?

ANSWER: All VISTA Volunteers, including Literacy Corps members, will receive any approved increase in the subsistence allowance.

Any increase in volunteer service years will be allocated to the ACTION Regions according to poverty statistics rather than program emphasis areas. Local community needs will determine how many volunteers are assigned to a particular emphasis area, such as literacy, homelessness, etc.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

BIENNIAL BUDGET CYCLE

Calls for budget reform are increasingly heard as budget deadlines are too often missed, important budget decisions are delayed, appropriation bills and other direct spending legislation are held up in committee, and omnibus spending bills take the place of timely and orderly consideration of individual bills. One procedural reform that is being considered is the two-year budget cycle where budget and appropriations matters would be considered in the first year, and authorizations and oversight would be undertaken in the second year.

QUESTION: **Would your department/agency favor a biennial budget process? What benefits would your agency achieve in a two-year appropriations cycle?**

ANSWER: We are exploring the possible effect of two-year funding on our programs and support operations, but as yet we have not made a decision on whether a change from a single year appropriation would benefit us. We will be holding further discussions within the Agency as well as with the Office of Management and Budget as we more fully assess the potential impact of a change in the budget cycle.

QUESTION: Approximately what proportion of your annual appropriation request would you consider simply repetitious of the previous year's submission?

ANSWER: The format for each year's submission is virtually the same, as is much of the narrative concerning the basic nature of the programs. The parts that change are those dealing with the accomplishments for the year in which we are operating and the description of the plans for utilizing the requested resources, including emphasis areas for program activities. If the funding levels remain the same from year to year, very much of the descriptive material then becomes repetitious as well.

QUESTION: What difficulties can you foresee in preparing and submitting a two-year budget to the Congress?

ANSWER: Until we determine the potential impact of a two-year appropriation on our programs, volunteers, sponsors, and support operations, we are not able to assess the problems associated with submitting a two-year budget package.

QUESTION: If you oppose the biennial budget concept, please give this subcommittee your reasons why.

ANSWER: Since we have not yet decided whether the biennial budget would be a better approach for our programs, we neither support nor oppose the concept.

REPORT LANGUAGE

In response to language included in the Senate report accompanying the FY 1987 Labor-HHS Appropriations bill, ACTION recently submitted essentially a one page summary of an appeals process that it was directed to develop. Frankly, for this Senator, the report is inadequate. I have a number of questions that I would like to pose now, and I would like a written response for the record.

QUESTION: First of all, the report states that the "Agency" will ensure that regional and national reviews of grant applications will apply consistent selection criteria ..." What are ACTION's specific regional selection criteria? What are ACTION's specific national selection criteria?

ANSWER: Because of the vast scope of ACTION's mandate and the need for flexibility to meet emerging social problems, the Agency does not automatically impose generic selection criteria. Rather, these are developed at the time funding for new projects becomes available to reflect specific statutory or policy requirements, and Agency emphasis areas. Whenever the specific criteria are established, they are the same at the regional and national levels. However, recent competition which included regional and national reviews had the following elements and sub-elements, which are generally criteria for most of the Agency programs:

o Element - Goals and objectives related to volunteer assignment. Sub-elements were recruitment, placement, transportation, meals, training, recognition and advisory council.

o Element - Budget and staffing.

o Element - Sponsor. Sub-elements were experience, support, demonstrated need, coordination with service providers and other community agencies and organizations.

QUESTION: **Can you detail for me how, or by what mechanism, ACTION will ensure that these criteria are consistently applied and are reconciled?**

ANSWER The Title II Appeals Process will be issued as an ACTION Order. ACTION Orders include internal Agency procedures on a variety of topics and are applicable at all levels of the Agency. We also intend to continue our past and current practice of including review criteria in guidelines, call for proposals, etc. This was most recently evidenced by the inclusion of review and award criteria in the March 2, 1987, Federal Register Notice concerning the availability of funds for the Drug Alliance Grants.

QUESTION: **Please outline for me in detail ACTION's resource allocation formula, including the extent to which the distribution of senior population and the poverty level are taken into account?**

ANSWER: Each of the large, established ACTION programs has a Resource Allocation Formula, factoring in its specific target populations. Basically, the formula first establish a goal of one project per state to enable low population states to participate fully. Then, they utilize the percentage of target population in each Region. Specifically for RSVP, 85% of the total allocation is based on the Regional percentage of persons aged 60 and over. For FGP, 74% of the total allocation is based on the Regional percentage of low-income persons 60 and over. Because of its small size, the SCP has no formula. However, the low-income older population is a major factor. When its size merits a formula, it will be similar to the FGP formula.

QUESTION: **How will the proposed review procedure retain its independence if it is done in-house? Did your agency consider requesting such reviews from outside sources, such as the Department of Health and Human Services?**

ANSWER: We feel there is in-house expertise and capacity to provide independent judgment sufficient to maintain objectivity and integrity in the review process.

In order to maintain an independent review process, we have established a review of the decision by the next higher level of decision-making within the Agency. In addition, when national competitions are utilized, we strive to involve persons with varied perspectives in the process. For example, for the SCP Homebound Elderly projects and components awarded in FY'86, the Agency hired a consultant specifically to assist with the review. This consultant, a registered nurse with a Masters Degree in health administration, has extensive nursing experience in a variety of clinical settings, served as a research associate, management analyst, health systems specialist and director and chief administrator of a health care agency.

CORPORATION FOR PUBLIC BROADCASTING

STATEMENT OF WILLIAM L. HANLEY, JR., CHAIRMAN, BOARD OF DIRECTORS

ACCOMPANIED BY DONALD E. LEDWIG, ACTING PRESIDENT, VICE PRESIDENT, AND TREASURER

OPENING STATEMENT

Senator CHILES. Our next panel will be for the Corporation for Public Broadcasting. We have with us this afternoon Mr. Donald E. Ledwig, the Acting President, Vice President, and Treasurer of the Corporation for Public Broadcasting as well as Mr. William Lee Hanley, Jr., the Chairman of the Board of the Corporation for Public Broadcasting.

The Corporation serves as the development and coordinating body for the Federal Government's commitment for public television and radio stations across the country. While Federal appropriations for this Corporation have risen over the last 10 years, the Federal Government's share of overall public broadcasting revenues has declined.

The subcommittee is pleased to recognize this year the 20th anniversary of the Public Broadcasting Act of 1967, which initiated the Corporation for Public Broadcasting. The administration, however, has recognized this milestone by requesting no new funds for the Corporation.

While their budget material may identify a fiscal year 1990 funding level of $132 million, the administration is actually calling on the committee to cut funds already appropriated for the Corporation by 20 percent in fiscal year 1987 and by almost 40 percent in fiscal year 1988, and make these funds available for 1990.

This deceptive sleight of hand would surely undercut the valuable contributions that public broadcasting makes to our knowledge base, our culture, and our quality of life.

PREPARED STATEMENT

Gentlemen, your entire statement will be included in the record. I hope you can highlight it for us so we will have an opportunity to ask a couple of questions.

[The statement follows:]

STATEMENT OF WILLIAM L. HANLEY, JR.

My name is William Lee Hanley, Jr. I am Chairman of the Board of Directors of the Corporation for Public Broadcasting (CPB).

I was elected Chairman by my colleagues on the Board on November 14, 1986. I have served as a member of the Board since September 1984. My current term on the Board expires March 26, 1987, but I have been advised that I am to be nominated for a second 5-year term.

I am accompanied by Mr. Donald E. Ledwig, Acting President and Vice President-Treasurer of CPB.

I welcome this opportunity to appear before you today for two main reasons:

- First, to record my opposition to the Administration's Budget, proposing to "reappropriate" some of CPB's Fiscal Year 1988 and 1989 appropriations that have already been enacted into law; and

- Second, to testify in support of CPB's requested (and authorized) appropriation for Fiscal Year 1990.

But, before addressing these two issues, as we approach the twentieth anniversary of the "Public Broadcasting Act of 1967" on November 7, 1987, I wish to thank this Subcommittee for its unwavering support for the past two decades through some very difficult times for public broadcasting.

Also, inasmuch as this is my first appearance before you as Chairman of the CPB Board of Directors, I should like to note that my biography is attached to my prepared testimony.

As a result of community activities with which I am associated, I am very sensitive to other areas within the jurisdiction of this Subcommittee, and the competing demands for a finite number of Federal dollars.

Correspondingly, I have a deep, personal appreciation of the breadth of public broadcasting, and the wide range of audiences it serves, much as you serve your respective and diverse constituencies. In fact, I, as well as Mr. Ledwig, may be the wrong witnesses to testify on behalf of CPB and public broadcasting. Perhaps, it would be more appropriate for you to hear testimony from, for example, --

- My 9-year-old daughter, Nicole, and the thousands of young children like her, who receive educational assistance from public television's new math series, SQUARE ONE TV, which premiered January 26, 1987;

- Countless children who have been provided, through public broadcasting, educational programming, such as 3-2-1 CONTACT, READING RAINBOW, WONDERWORKS, and the radio call-in show KIDS AMERICA, and who have learned basic social and reading skills through MR. ROGERS' NEIGHBORHOOD and SESAME STREET;

- The hearing impaired and visually impaired, the former for whom CPB has increased closed captioning programming through its financing policy requiring that CPB funded programs be captioned; the latter, who can listen to Radio Reading Service programming which CPB supports, through the Association of Radio Reading Services tape exchange and In Touch, a 24-hour satellite Reading Service;

- The potential drug addict, who may be deterred from use of drugs or harmful chemicals by public television's CHEMICAL PEOPLE;

- Shut-Ins, who are unable to leave their place of residence, yet are able to stay in touch with the events of the world by viewing FRONTLINE, AMERICAN PLAYHOUSE, GREAT PERFORMANCES, or listening on public radio to MORNING EDITION, ALL THINGS CONSIDERED and WEEKEND EDITION;

- Minorities who are able to witness their heritage on public television's new series EYES ON THE PRIZE, and certainly all of us who can learn from the history of the civil rights movement;

- Illiterates, who today are learning to read because of PLUS, a joint undertaking in collaboration with ABC and the Public Broadcasting Service (PBS), produced with funds from CPB and the MacArthur Foundation, as well as those in the future who will benefit from CPB's upcoming effort to deal with illiteracy in the workplace; and

- Students - of all ages, young and old - who have benefited from Annenberg/CPB Project tele-courses, such as --

    - THE CONSTITUTION: THAT DELICATE BALANCE,

    - CONGRESS; WE THE PEOPLE,

    - THE WRITE COURSE,

- The award-winning PLANET EARTH, plus new programming yet to be aired as --
- FRENCH language and culture,
- AMERICAN HISTORY, and
- COLLEGE ALGEBRA, to note just a few.

But, to service such a diverse audience with this quality programming takes both time and money. THE BRAIN, a series funded by the Annenberg/CPB Project, for example, was conceptually conceived in 1978; it aired, October 1984, some 6 years later.

Public broadcasting doesn't have a vast reserve of funds to develop these worthwhile programs. That is why multi-year authorization and advance year funding are so critical to public broadcasting programming.

In point of fact, Mr. Chairman, the record shows that Federal funding of public broadcasting is truly an investment. While Federal funding comprises only about 17 percent of total public broadcasting funding, it is the most important money. It is the first money that goes into the support of program production -- the "seed" money -- which leverages additional private sector and foundation support of 5 to 6 times the amount CPB originally invests dollar for dollar. I therefore compliment the Congress for its vision in providing us with these effective financing mechanisms and for keeping them in place.

Additionally, CPB is a major funder for coverage of the Congress. In March, after lengthy consultation with stations as to how to improve upon this coverage, a special Capitol Hill unit of the award-winning MACNEIL/LEHRER NEWSHOUR will be created to provide Congressional coverage.

Unfortunately, I regret to note, even if only in passing, that the very delivery of these fine programs is being threatened because the so-called "Must Carry" protection which ensured the carriage of public broadcasting programming on cable television systems is not now being enforced as a result of proceedings currently before the Federal Communications Commission.

Returning, however, to the issue before us today -- CPB's appropriation request for Fiscal Year 1990, which Mr. Ledwig, as Acting President and Vice President-Treasurer will address in greater detail -- is for the full amount authorized by the Congress, $254 million. This amount is less than what we, CPB, have estimated to be necessary to maintain a 1982 service level.

Mr. Chairman, Members of the Subcommittee, as I conclude my direct testimony, permit me to leave with you some personal thoughts on where, with your assistance, I believe we should be going in the 1990's.

Public broadcasting's challenges in its third decade of service, Mr. Chairman, will be equally, if not more challenging than its first 20 years.

CPB, with the Federal appropriation, plays a catalytic role. It brings together ideas and producers, technology, funders and audiences. We want to "seed" the production of significant new American programming for radio and television.

In radio we want to sustain an admirable record in providing news and public affairs on local, national and international events to all Americans. We want to increase the amount of arts and performance programming available to local stations.

We at CPB are proud to have contributed to the financial viability of National Public Radio (NPR) through a loan and in reducing public radio's interconnection cost by funding the purchase of a satellite transponder. We also wish to acknowledge NPR's justifiable pride in paying off CPB's loan on time last September. We want to continue to see our investment in public radio pay dividends in service to the American people.

In television, during prime time and for general audiences, we want to see children's programming like SQUARE ONE TV and WONDERWORKS, and complete our current effort to develop a high quality alternative children's weekend block; the only in-depth daily news hour, MACNEIL/LEHRER, and news specials like the new Bill Moyers specials on the Constitution; and special public affairs series like Fred Friendly's Media and Society programs on the Constitution, the First Amendment and terrorism.

In the area of cultural programs, we want to expand our support for drama, not only through the highly successful AMERICAN PLAYHOUSE, but by airing programming on history, art and literature in a new regularly scheduled format called THE AMERICAN EXPERIENCE. Our performance programming will continue to provide many Americans with their only opportunity to see and hear major world class performing talent.

One of our most significant contributions, however, can be to educate Americans, whether in formal coursework or by informing viewers on important social issues, like drug abuse or adult literacy.

Finally, there remain areas yet to be served by our public telecommunications system, witness Senator Kennedy's proposal for the use of satellites to provide educational opportunities to unserved rural areas. Here, CPB and the Public Broadcasting Service (PBS) stand ready to be of service to provide a cost efficient, non-duplicative delivery system. And, by the year 1992, public broadcasting must address the replacement of its own interconnection satellite delivery system.

The challenges are many. But, so, too, are the rewards in improving the quality of life for all of our citizens. That, Mr. Chairman and Members of the Committee, is a worthy goal towards which I promise you the best and unstinting efforts of CPB and its colleagues throughout the public broadcasting community.

Following Mr. Ledwig's summary of his direct testimony, I shall be pleased to answer whatever questions you may have of me.

Thank you for your time, your patience, but most important, thank you for your support of public broadcasting.

AMOUNTS AVAILABLE AND PROPOSED FOR OBLIGATION
FY 1989 - FY 1990
($ in thousands)

CPB	FY 1989 Actual	FY 1989 Proposed Adjustments	FY 1989 Revised	FY 1990 Request	FY 1990 Compared to 1989 Actual	FY 1990 Compared to 1989 Revised
BA	228,000	+88,000 [1]	316,000	254,000	+26,000	-62,000
O	228,000	-88,000	140,000	254,000	+26,000	-114,000
FTE	N/A	N/A	N/A	N/A	N/A	N/A

[1] Administration has requested that Congress "Reappropriate" $88.0 million from funds already appropriated to CPB for FY 1989. Those funds would be available only in FY 1990

STATEMENT OF DONALD E. LEDWIG

My name is Donald E. Ledwig. I am the Acting President and Vice President and Treasurer of the Corporation for Public Broadcasting (CPB).

I have served as Vice President and Treasurer since November 1984. In that capacity, I appeared before this Subcommittee in both 1985 and 1986.

I was elected by the CPB Board of Directors on November 14, 1986, to serve also as Acting President. I was re-elected Acting President and Vice President and Treasurer by the Board at its last meeting on January 26, 1987.

We at the Corporation deeply appreciate the strong support that this Subcommittee has given to public broadcasting through its appropriations to CPB. I believe that millions of Americans do, too.

It therefore is a pleasure to appear before you once again in support of public broadcasting, specifically to support CPB's requested appropriation of $254 million for Fiscal Year 1990, as authorized by the Congress.

My direct testimony will complement that of my Chairman, Mr. William Lee Hanley, Jr.

As Mr. Hanley has observed, public broadcasting is an innovative medium which touches all age groups of our citizens and focuses on current social issues, such as education, drug abuse, illiteracy, etc.

Public broadcasting also airs many programs, such as educational programs for children, which would never be seen or heard on commercial broadcasting. It does so at far less cost than any other comparable media that reach so many people and provides an educational tool to implement the Congress' and the President's common goal of improving America's competitiveness.

Because CPB is funded two years in advance, its appropriations for FY '88 of $214 million and for FY '89 of $228 million have been enacted into law. And, pursuant to Congressional intent with respect to such advance year funding, CPB and the public broadcasting system have been committing those funds to future programming.

The Administration proposes in its budget to "reappropriate" (or, perhaps more accurately, defer or "impound") those funds already enacted into law by --

- Withholding $44 million from our FY '88 appropriation, reducing it to $170 million;

- Withholding $88 million from our FY '89 appropriation, reducing it to $140 million; and

- Applying the $132 million total withheld as CPB's FY '90 appropriation -- or if we pursue "truth-in-budgeting", ZERO new funds for CPB and the public broadcasting system in FY '90!

Mr. Chairman, Members of the Subcommittee, we at CPB, and I'm sure the public broadcasting system at large, find this Administration proposal exceedingly troublesome, both procedurally and substantively.

From a procedural standpoint, we find this proposal may be subject to a point of order because in both the Senate and the

House of Representatives the "reappropriation" procedure is not available, except with respect to unexpended appropriations in continuation of a public works project on which work has commenced. CPB is neither a government agency, nor a public works project. Further, by law, CPB's funds are to remain available until expended.

From a substantive standpoint, we are troubled since the Administration's "reappropriation" proposal strikes at the very heart of advance year funding. The Congress provided CPB and the public broadcasting system with this mechanism to ensure that quality public broadcasting programming is maintained in the "pipeline". Our FY '88 and '89 funds are committed in reliance on receiving the appropriation that Congress has passed and the President has signed. In fact, next week, on March 5 and 6, the CPB Board of Directors is scheduled to meet to adopt CPB's FY '88 Operating Budget.

CPB, and other national public broadcasting organizations, have made their views and concerns known in this regard both to the Office of Management and Budget (OMB) and to the President. I request permission to include in the hearing record my letters to OMB and to the President, appealing the Administration's proposal concerning CPB.

And, Mr. Chairman, I hasten to point out that CPB, and public broadcasting, generally, still are just now recovering from a 25 percent reduction in 1981, which resulted in --

- A 23 percent reduction in community service grants for television and a 12 percent reduction in national television programming; and

- A 14 percent reduction in funds available for radio community service grants and national radio programming.

These cuts seriously interrupted the program production pipeline. The result was NO new American produced series on national public television in the Fall of 1985!

The impact of the Administration's current budget proposal would be devastating to the recovery of the public broadcasting telecommunication's system. This is detailed in CPB's Budget Justification entitled, "Appropriation Estimates for FY 1990; Response to Proposed Reappropriations for FY 1988 and FY 1989", submitted earlier to the Subcommittee. I invite your attention to pages 5-13 and pages 17-18 inclusive. Acting in good faith, public broadcasting has complied with its part of the bargain with the government by securing the amount of non-Federal financial support it is required to provide and by committing it to new programming. The Administration now proposes to ignore the commitment by public broadcasting which assumes the greatest financial responsibility for the national public broadcasting system and to "walk away" from its part of the bargain. Federal funding represents less than 17 percent of the total amount spent by public broadcasting in a typical year; yet it is critical to leveraging the other 83 percent.

Mr. Chairman and Members of the Subcommittee, CPB's appropriations request for Fiscal Year 1990 is for the full amount authorized by law, $254 million.

CPB and public broadcasting are sensitive to the competing demands for Federal dollars. Our request is $53 million less than what CPB, based upon a conservative Needs Assessment of our

Office of Policy Development and Planning, believes necessary to maintain a 1982 service level.

In conclusion, I would simply invite your attention to a recent Washington Post/ABC poll which found that 73 percent of the American public favors either increasing Federal funding of public broadcasting, or maintaining the current funding levels.

I therefore join with Chairman Hanley in urging that the full amount authorized of $254 million be appropriated for CPB and public broadcasting. With that level of funding, we will be able to enter our third decade confident of our ability to maintain our high standards of service to the American people.

Thank you. I shall be pleased to respond to any questions you may have.

Attachments: Budget Appeal Letters to OMB/President

December 5, 1986

The Honorable James C. Miller
Director
Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503

Dear Mr. Miller:

The Corporation for Public Broadcasting (CPB) was notified this afternoon that the Office of Management and Budget intends to propose an appropriation of only $132 million for FY 1990 for CPB instead of the $254 million authorized by the Congress and requested by the Corporation on August 27, 1986. We understand OMB intends to include this amount for FY 1990 in the President's FY 1988 Budget because CPB is funded in advance by law.

In addition, we have been informed that OMB will seek a $44 million rescission of our FY 1988 appropriation, reducing that funding level to $170 million. Further, OMB will seek an $88 million rescission of our FY 1989 appropriation, reducing that funding level to $140 million.

We believe OMB's proposals are in direct conflict with the intent of Congress when it enacted authorization levels for CPB through 1990 and appropriation levels through 1989, as indicated below:

CPB Funding Levels
($ in millions)

	FY 1988	FY 1989	FY 1990
Authorized	$ 214	$ 238	$ 254
Appropriated	$ 214	$ 228	$ -
Proposed by OMB	$ 170	$ 140	$ 132

If the new OMB funding proposals are not revised upward, they will reopen a national debate that was concluded so decisively in 1985 in favor of increased federal funding for public broadcasting.

OMB's proposals would seriously damage the financial foundation of a national public telecommunications system that has been able to build on the federal base and currently generates approximately $917 million in non-federal dollars.

We maintain that it is unrealistic for OMB to expect that funding from other public and private sources of income could replace federal funding of public broadcasting -- or would serve the same purpose as federal funds. As the Congressionally mandated Temporary Commission on Alternative Financing for Public Telecommunications concluded in its 1983 report, "There is no substitute for continued federal support." Yet, under OMB's proposal, funding from private and other public sources would have to increase substantially over what it has been in recent years and there is no evidence to support that happening, especially under the new tax laws.

Federal funding plays a critical leadership, catalyst, and pump priming role that makes possible the aggregation of larger amounts of non-federal funds. This leveraging of the federal contribution is consistent with the Administration's efforts to achieve social goals through volunteerism and private sector initiatives.

Without federal funds, market forces could move public broadcasting toward programming of the type found in commercial broadcasting, thus defeating the purposes of the publicly financed system and forcing commercial-type funding initiatives. No national public broadcasting system operates without government funds. Thus, the OMB proposals constitute a dangerous experiment with the American public broadcasting system that has no precedent of success elsewhere.

Our system is a unique cultural and educational resource that is greatly valued by millions of our citizens who appreciate quality programs. We believe our system provides a valuable public service that is worthy of preservation in its present form by this Administration.

On behalf of the Corporation for Public Broadcasting, I respectfully appeal the proposed OMB funding levels for CPB in FY 1990 and request funding at the $254 million level as originally authorized and requested. I also urge you not to go forward with any funding rescissions for CPB.

Sincerely yours,

Donald E. Ledwig

Donald E. Ledwig
Acting President

December 19, 1986

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

The Corporation for Public Broadcasting (CPB) has been notified that the Office of Management and Budget (OMB) intends to propose an appropriation of $132 million for CPB in FY 1990, instead of the $254 million authorized by Congress and signed into law by you on April 7, 1986. We requested the authorized amount on August 27, 1986. OMB plans to include this proposed funding level in your FY 1988 budget because funds are appropriated for CPB two years in advance.

The $132 million for FY 1990 would be made available through new legislation enabling the Treasury to withhold, until 1990, payment to CPB of $44 million from our enacted FY 1988 appropriation and $88 million from our enacted FY 1989 appropriation, effectively reducing FY 1988 funding to $170 million and FY 1989 funding to $140 million.

These proposals are inconsistent with your veto message to the Congress in 1984 (S. 2436) that requested "reasonable and moderate" increases to CPB for the period from 1987 to 1990. The Congress responded at that time by authorizing reasonable and moderate funding levels for that period. Subsequently, Congress passed, and you signed into law, appropriations through FY 1989 consistent with those authorization levels.

Relying on this legislation, the public broadcasting system has acted to commit the appropriated funds to programming in the production pipeline, as intended by the Congress when it established forward funding for CPB. Therefore, we have no choice but to appeal these proposals to you because our appeal of this matter to the Director of OMB on December 5, 1986 was denied on December 16, 1986.

Federal funds are the building blocks upon which non-federal funds are aggregated, because they have a pump-priming and multiplying effect. Thus, the OMB proposal would undermine obtaining greater nonfederal support for public broadcasting and would produce a counter-multiplying effect by eliminating major programs from the national schedule that are now funded by CPB.

Each week, 100 million television viewers and over 10 million radio listeners rely on these programs for quality educational, cultural and informational programming.

The Congressionally mandated Temporary Commission on Alternative Financing for Public Telecommunications concluded in its 1983 report, "There is no substitute for continued federal support." Yet, under OMB's proposal, funding from private and other public sources would have to increase substantially over what it has been in recent years to maintain our level of service. There is no evidence to support that happening, especially under the new tax law's treatment of charitable contributions.

The $254 million requested for FY 1990 represents a conservative, responsible estimate of the minimum needed to sustain CPB as a critical, catalytic force within public broadcasting. With CPB's support, public broadcasting has been able to produce some of the finest television and radio programming available in the world with very limited funds. With direct support from CPB, public broadcasting has fostered a growing awareness of social problems in our country. Americans today are more aware of and concerned about adult illiteracy and drug abuse because public broadcasting created a forum to discuss these topics in our public media. CPB has supported these outreach efforts and has helped bring together experts, national personalities, and producers to raise our national awareness. Our society is better as a result of these efforts.

Our system is a unique cultural and educational resource that is greatly valued by millions of our citizens who appreciate quality programs. We believe our system provides a valuable public service that is worthy of preservation in its present form by your Administration.

On behalf of the Corporation for Public Broadcasting, I respectfully appeal the new OMB proposed funding levels for CPB and request funding at the $254 million level for FY 1990 and funding at the levels already appropriated for FY 1988 and FY 1989.

Sincerely yours,

Donald E. Ledwig

Donald E. Ledwig
Acting President

BIOGRAPHY OF WILLIAM L. HANLEY, JR.

William Lee Hanley Jr., chairman of the Board of Directors of the Corporation for Public Broadcasting (CPB), is a successful New York corporate executive, who brings his business savvy to the primary organization charged with the national growth and development of public radio and television in the United States.

Hanley's vision for public broadcasting is to make the public broadcasting industry more cohesive and financially solvent, broaden the base of corporate financial support, increase audiences, and double efforts to ensure unusual, diversified, quality programming. He would like to accomplish this by developing a joint strategic plan with public broadcasting stations and the other national and regional public broadcasting organizations. "We need to work toward taking the funding uncertainties out of the system."

Hanley was elected chairman of the CPB board on Nov.14, 1986. He was a board member from February to March 1984 and was reappointed in September 1984. His current term expires March 1987. He serves on the Audit Committee and was its chairman from 1984 until he became board chairman.

A keen businessman, Hanley's broad experience includes oil exploration, banking, video production, political consulting, and clay products. He is chairman of the board and chief executive officer of Hanley Company, Inc., an oil exploration and merchant banking firm in New York, with holdings in Texas. He started with the company in 1964.

Since 1985, he has been chairman of the Board of Anthony Potter Productions, an independent video production company in New York City. Among its current projects, Potter Productions produces segments for ABC's Our World, hosted by Linda Ellerbee, and ABC News.

Hanley has been involved in national and local politics. He is a partner with the political consulting firm of Black, Manafort, Stone, & Atwater, Inc. In 1980, Hanley was executive director of the Connecticut Reagan-Bush Committee, and he served on the Greenwich (Conn.) Republican Town Committee from 1978 to 1984, and as its vice chairman from 1982 to 1983.

Active in community affairs, Hanley has particular interest in health care. He is the director and treasurer of the J.M. Foundation, a private organization with a twofold focus on public policy education and medical research. The foundation has pioneered research in the causes of cancer, laser eye surgery, and drug and chemical dependency. He serves as vice chairman of the board and trustee of Greenwich Hospital, where he participated in a major long-range strategic plan for the health center. He is chairman of external affairs and board member of the International Center for the Disabled.

Hanley was the chapter chairman of the Young Presidents' Organization, Metro New York Chapter, and currently serves on the Board of Directors and a director of the Boys' Club of Greenwich.

Hanley received a bachelor's degree in economics from Yale University in 1964.

Born on Jan. 27, 1940, in New York City, Hanley is married to Alice H. Hanley and is the father of five daughters. They live in Greenwich, Conn.

BIOGRAPHY OF DONALD E. LEDWIG

Donald E. Ledwig, acting president and vice president-treasurer of the Corporation for Public Broadcasting (CPB), brings 28 years of diverse experience in management, finance, contracting, and telecommunications technology to the primary organization charged with the national growth and development of public radio and television in the United States.

As acting president, Ledwig's goal is to strengthen the educational level and enrich the cultural life of all Americans through public service television and radio. "I would like public broadcasting to reach larger audiences without compromising its quality and diversity," said Ledwig who backs audience-building efforts.

Ledwig was elected acting president by the CPB Board of Directors on Nov. 14, 1986. He has served as vice president-treasurer since Nov. 1984. In the latter capacity he is the corporation's chief financial officer. He is responsible for budgeting and distribution of CPB funds to the public broadcasting system, oversees corporate administrative functions, certifies the system's financial data to the secretary of the U.S. Treasury, and adjudicates the findings of CPB audits.

The CPB executive is strongly committed to public broadcasting, particularly in advocating the highest possible level of federal funding for the system. On behalf of public broadcasting in 1985 and 1986, Ledwig testified before House and Senate Appropriations Committees in support of increased federal funding.

Ledwig views CPB as a catalyst in providing "seed money" to diverse, innovative, high-quality programs that otherwise might not receive funding. He also considers CPB a "pump priming" and stabilizing force for public broadcasting because CPB's forward funding provides the base for raising other funds and committing them to programs in the production pipeline.

Ledwig has long been a devotee of public radio and television. He enjoys listening to news and music while commuting to work and watching the full spectrum of public television programming at home. His two sons grew up on Mr. Rogers' Neighborhood and Sesame Street.

Before joining CPB, Ledwig worked in government affairs with the Washington office of the LTV Corporation of Dallas, Texas, a Fortune 500 steel, oil, aerospace, and defense industries corporation.

Prior to joining LTV, he completed a 25-year career as a naval officer serving on four ships of the U.S. Pacific Fleet and in various assignments ashore involving the business aspects of acquiring high technology systems. He directed contracting for all advanced telecommunications and space satellite systems for the Navy from 1981 to 1984. As the Navy's director of acquisition and contract policy from 1979 to 1981, he approved all major contracts and lectured nationally on policy matters.

From 1966 to 1972, Ledwig served in business and federal appropriations process assignments with the Naval Nuclear Propulsion Program under Admiral Hyman G. Rickover. He was instrumental in developing the "Uniform Cost Accounting Standards Act, " major legislation to standardize contracts and accounting procedures for corporations doing business with the U.S Armed Forces.

Ledwig is a former disbursing officer for the U.S. Treasury. The National Contract Management Association has designated him a certified professional contracts manager.

He is a director of the Public Telecommunications Financial Management Association. His military awards include the Legion of Merit and two Meritorious Service Medals.

Ledwig holds a B.S. in economics from Texas Tech University, an M.B.A. in financial management from The George Washington University, and is a distinguished graduate of the Naval War College in national strategy and policy.

Born March 2, 1937, Ledwig grew up in Lubbock, Texas. He is married to the former Gail Wilcox of Boston. They have two sons in college and live in Arlington, Va.

REMARKS OF SENATOR WEICKER

Senator WEICKER. Mr. Chairman, I would like to personally welcome Lee Hanley. Not that I do not also welcome Mr. Ledwig, but Mr. Hanley is a resident of my home town in Connecticut. I think this is the first time I have had the opportunity to have you before me in a witness capacity. I want to acknowledge the fine job you are doing at the Corporation for Public Broadcasting.

SUMMARY OPENING STATEMENT OF WILLIAM LEE HANLEY, JR.

Mr. HANLEY. Thank you.

Mr. Chairman, Senator Weicker, first, we want to thank you and your committee for its wisdom in providing the advanced funding which enables us at CPB to provide the important seed money to get programs in the pipeline such as a new program, "Square One TV," which later attracted very substantial corporate support from IBM.

This is a program that has an investment in the future competitiveness of our youth by aiding them in developing greater interest in proficiency in math. "Eyes on the Prize," a critically acclaimed current series, took 7 years from concept to its airing. "The Brain," an Annenberg/CPB series conceived in 1978, aired 6 years later in October 1984, plus a CPB joint venture literacy project which will be entering phase two, addressing a very important subject, illiteracy in the workplace, a key to improving America's competitiveness.

This seed money is truly an investment, leveraging the private sector and foundation support five to six times the amount of CPB's original investment.

As Chairman of the CPB Board, I have been working and will continue to work closely with the Public Broadcasting System, its national organizations, and station managers, addressing these problems of programming, plus including our future delivery system needs, as noted in my prepared testimony.

I thank you for your help in the past and I look forward to working with you to further improve the Public Broadasting System in the future.

Senator CHILES. Thank you, sir.

Mr. Ledwig.

SUMMARY OPENING STATEMENT OF DONALD E. LEDWIG

Mr. LEDWIG. Mr. Chairman, Senator Weicker, Senator Rockefeller, it is a privilege to appear before you today on behalf of public broadcasting and the appropriation for the Corporation for Public Broadcasting. We are very grateful for the bipartsian support that this committee has shown to public broadcasting over the years, and I believe that millions of Americans are, too.

I am here to support our requested appropriation of $254 million for fiscal year 1990 as authorized by Congress and to oppose the administration's proposals to fund an appropriation of only $132 million for

1990 out of cuts to our already authorized and already appropriated funds from this committee for fiscal years 1988 and 1989.

I wish to make four brief points in summary. First, Federal funding represents less than 17 percent of the total of public broadcasting services provided in a typical year; yet it is critical to leveraging the other 83 percent because these funds are our seed money. They give us credibility in asking for support from the private sector. They have a multiplier effect.

Thus cutting Federal funds would have a countermultiplier effect just as it did when our funds were cut in 1981 to take effect in 1983. We are just now recovering from that 25-percent reduction which resulted in no new American-produced series on national public television in the fall of 1985.

Second, I believe the administration's reappropriation proposal strikes at the very heart of advanced year funding. The Congress provided CPB and the Public Broadcasting System with this mechanism to ensure that quality public broadcasting programming is maintained in the pipeline. Our fiscal year 1988 and fiscal year 1989 funds are committed in reliance on receiving the appropriation that Congress has passed and the President has signed into law.

Third, public broadcasting airs many programs such as educational programs for our children which would never be seen or heard on commercial broadcasting. We do so at far less cost than any other comparable media that reaches so many people and provides an educational tool to implement the Congress and the President's common goal of improving America's competitiveness.

Fourth and finally, the bottom line for our enterprise is the quality of our programs as determined by our audiences, the American people. We are pleased that the public appreciates the support of this committee for public broadcasting. A recent Washington Post-ABC poll found that 73 percent of the American public favors either increasing Federal funding for public broadcasting or maintaining the current funding levels.

In conclusion, it was faith and vision that prompted the Congress to create the Corporation for Public Broadcasting 20 years ago, Mr. Chairman. The substance of that faith is now made real in the quality of the public radio and television programs we now have on the air. I, therefore, join with Chairman Hanley in requesting that the full amount authorized of $254 million be appropriated for CPB and public broadcasting in fiscal year 1990.

Thank you. I shall be pleased to respond to any questions you may have.

Senator CHILES. Thank you, sir. The subcommittee wants to welcome Senator Rockefeller, who is here with us, and has more than a passing interest in this subject, and has long been a supporter of public broadcasting. He has family connections to that, too, and we are delighted to have Sharon Rockefeller, a member of the Board. We recognize her for the outstanding work that she has done in this area over a long number of years. Do you have a question, Senator Rockefeller, or a statement?

REMARKS OF SENATOR ROCKEFELLER

Senator ROCKEFELLER. If I could make a comment, Mr. Chairman, I am particularly grateful for your indulgence in my being here. I might also point out that my father, who was on the original Corporation for Public Broadcasting, was appointed by President Johnson, so my feelings run very deep, not only with respect to the family part but with respect to content.

I very much respect what Mr. Hanley had to say about the competitive factor involved in public television. The chairman of the subcommittee and I have talked from time to time about our children, and there is no question that when the choice is being made, it is better they turn to public television.

I am also very struck by the fact that since the production costs are so high now and since the Federal budget represents only 16 percent, it is becoming even with that small factor, Mr. Chairman, increasingly difficult to get foundation support. Big corporations, some of them are able to do it but they are not all able to do it, those whose products are already well known to the people are maybe less willing to do it, so scrambling for the private support leveraged by the Federal support which both of you gentlemen have referred to is becoming much more difficult.

I just do not know of anything, Mr. Chairman, in terms of trying to restore this country's competitive position which is certainly an incremental generational matter that is going to take 10, 15, 20 years of anything more important than having first-class public broadcasting. Nonnews commercial broadcasting in my judgment is not cutting it. It is getting worse and certainly not better. Public broadcasting remains a beacon in this land of ours, and I simply want to lend my support to the historic good work of the committee, Mr. Chairman, and I thank you for your indulgence.

STATUS OF FISCAL YEAR 1988 AND FISCAL YEAR 1989 APPROPRIATIONS

Senator CHILES. Thank you. What is the current status of the funds appropriated for 1988 and 1989, and can you tell us if any of these funds have been committed to individual TV and radio stations? What would be the short-term and the long-term impact of the stations if we accepted the administration's request?

Mr. LEDWIG. Relying on the advanced funding concept, we have committed funds to a new series, that is, to a new challenge fund in connection with PBS and the stations. We have brought new people from commercial broadcasting into public broadcasting. Mr. Moyers will be joining us later on this month. We have committed ourselves to improving the competitiveness in the workplace through the literacy of the worker. Our whole system at the local level has relied upon the community service grant which each station receives through the Corporation for Public Broadcasting.

In fact, 66 percent of our funds go to stations like these in Florida and Connecticut and West Virginia. These stations find that those funds are the building blocks that they build their budgets on. So they are relying in 1988 and 1989 on that community service grant to bring in other funds, and we are relying on those funds and the system is relying on those funds to be the first to come forward to fund programs. That gives credibility that brings in the other funding and it makes it possible.

All that would be destroyed if these funds were not forthcoming.

Senator CHILES. I think it was based on this concept that Congress decided that we would forward fund the Corporation for Public Broadcasting and we would probably extend forward funding, would you not say, more than we do even in education? We are talking about 2 years, so that you would use those funds to generate other funds. I think it would be not only the height of folly but also going back on our commitment if we turned out and then said we are going to renege on our commitment for the forward funding.

Well, gentlemen, you are requesting for 1990 the authorized amount of $254 million, an increase of $26 million above the enacted level for 1989. How would this additional funding be used, and would this increase enable the Corporation and member stations to provide greater services than would be provided in 1989?

USE OF INCREASED FUNDING SOUGHT FOR FISCAL YEAR 1990

Mr. LEDWIG. Mr. Chairman, these funds would be used to continue our programs as we move into the future. We also have some commitments to replace the interconnection system, which this committee financed. The satellite system expires in 1992, so we need to start committing funds and planning for that replacement into that area. We need greater funds. I would point out that we had authorized in 1989 $238 million, although we only had $228 million appropriated.

So we are moving up from the $238 million to the $254 million that we felt we needed. These funds would permit us to continue to rebuild from the budget cuts that we had in 1983. We have projected what our needs are in public broadcasting based upon the 1982 service level and carrying that forward with inflation and also adding a factor for new stations. We have had new stations added every year. We find that we need $307 million actually in 1990, but we realize the constraints on this subcommittee and the Congress and the Nation, and that is why we are requesting the $254 million.

We will use those funds to continue to build programming and continue to raise the quality of that programming in the country and at the local level.

Senator CHILES. It has often been alleged that public television and public radio serve an upper-income audience, and, therefore, public funding is of questionable merit. What can you tell us about the income and education profiles of your watchers and listeners?

PUBLIC BROADCASTING'S AUDIENCE PROFILE

Mr. HANLEY. I think I can address that in several ways. First of all, there is no question that we are providing programming of higher quality in terms of educational value than can be found in any other broadcast media. The fact is that our most recent figures show that over 100 million people tune to public television during the course of a given week, and out of that group, that is a pretty broad-based group.

To address just a couple areas, take "Sesame Street" for an example. We know that that cuts across all economic lines in substantially helping preschoolers prepare for school. I would expect from the basis of the testing that was done on "Square One TV" that we are going to see exactly the same type of cross section with that program.

The other thing, just to refer back really to the first question or your earlier question, we have a major commitment that we are making running out into the future for a children's initiative program which will air Saturday mornings aimed at educating 6 to 10 and 12 year olds as an alternative to what some people refer to as half-hour advertisements that are aimed at children on the commercial networks.

These are the types of things that we are committed to doing, and it does take that advanced funding and that commitment to get those things moving forward.

I know for a fact that the standing room $5 seats at the opera in New York are totally sold out for every performance, so I think culture and education does not belong to any group.

Senator CHILES. Senator Weicker.

Senator WEICKER. I think that has been the great offering of public television, in that it allows the American public to choose from matters which they might never see or hear. The idea is to try to elevate, if you can, from the youngest to the oldest, the appreciation of good works in whatever form that happens to be.

When I think of what we all had to suffer through, the ordeal, for those who saw any portion of "Amerika." I mean, in short, it is just crap spelled with a capital K. [Laughter.]

FISCAL YEAR 1982 SERVICE LEVEL AND FISCAL YEAR 1990 DOLLARS NEEDED

Senator WEICKER. When we, for a few dollars, have the opportunity to see both music and plays in the educational program for our young people, my goodness, this is just a pittance in terms of cost to the American people.

Indeed, I do not know if everybody picked up the response to the chairman's question—correct me if I am wrong—did you not say that this 1990 funding that is being requested here is meant to achieve a 1982 service level? Am I correct on that?

Mr. LEDWIG. Yes; returning to the level that we had at that time before the budget cut.

Senator WEICKER. 1982, that is what is involved here. Does anybody care to hazard without fear of losing your highly paid positions, et cetera, a guess as to what would be required in 1990 funding to achieve a 1990 service level?

Mr. **Ledwig**. It would be more than the $307 million that we estimate, and you would have more than a dollar-for-dollar increase in quality because we bring in $6 to $7 in non-Federal funds for every $1 you appropriate. So the quality would go up six or seven times for every $1 that you put in above that level.

Senator **Weicker**. Can you give me any sort of a ballpark figure—as I said, if you had no constraint—if you just achieved a normal rise based on the cost-of-living index or whatever, for what a proper 1990 funding level would be?

Mr. **Hanley**. I think that is an extremely good question and one that we should dig out and supply to the committee. It is considerably higher.

I just again want to stress what Don is saying. The leverage of the money is tremendous, and it is critical to getting corporation and foundation support. If they think that there is a lack of commitment on the part of the Government to the future of public broadcasting, they are hesitant to come onboard. It becomes totally critical that we maintain, and it is one of my objectives to try and increase, the outside private financing to supplement our seed money.

[The information follows:]

The Federal share of the cost to maintain the level of programming services offered to the American people in 1982 was $172 million. Public broadcasting estimates that the 1990 equivalent is $307 million based on actual inflation affecting the same level of services from an increased number of stations. This level of service was an important benchmark for us, since we had built up to it slowly, year by year, over 15 years. Then, in 1983 severe reductions in Federal support reduced our programming capacity, and our ability to start new programs. As a direct result, no new American-produced series were shown on public television in the fall of 1985. For several years, we have tried to rebuild and regain the momentum lost in 1983 and move to a vision of increased service for the 1990's.

We are now prepared to move toward that vision. It consists of four challenges, the costs of which we have estimated using a detailed financial forecasting model. Cited below are costs for services beyond those included in the $307 million estimate. They would provide the American people with substantial additional services as follows:

Develop and produce educational programming and supporting materials or services which will use the full potential of telecommunications in increasing the effectiveness of our Nation's educational system and in improving American competitiveness	+$66 million

—Three instructional video series per year for in schools.
—Research and development for new technology based services.
—Education news unit.
—Preschool programming.
—Teacher training (preservice, inservice, utilization).
—Research into educational use of technology.
—National coordination of educational technology initiatives.
—Educational satellite services.
—Five college credit courses per year.
—Nonbroadcast instructional video programming.
—Professional development.

Achieve a critical mass of new American television production that will, with proper research, development and promotion, form the basis for audience growth and increases in audience support	+$92 million
—Increase the number of hours of original programming in news, science, and culture.	
—Research and development and pilots for new programming.	
—Promotion to bring audiences to programs.	
Double the public radio audience nationwide by increasing the choice stations have to offer innovative programming	+8 million
—Additional news and information programming (lengthen "Morning Edition," "All Things Considered" and increase news offerings to 18 hours per day).	
—Acquire cultural programming from local stations and independent producers.	
—Research and development and production of radio drama series.	
—Promotion to bring audiences to programs.	
Replace the national satellite distribution system, which allows any community in the Nation with a public broadcasting station to benefit from all of the programming distributed for public broadcasting ($1 million for planning in 1990; the cost of replacing the satellite system in 1991 is currently estimated at about $100 million which is not covered in the 1990 costs)	+1 million
Total cost of new initiatives	167 million
Cost to reestablish 1982 service levels	307 million
Total needs for 1990	474 million

FISCAL YEAR 1990 FUNDING LEVEL NEEDS

Senator WEICKER. Well, I really think that as appropriators we look a little foolish around here. I can understand that because of budget constraints being a year or two behind the curve; however, to say that by 1990 we are going to be 8 years behind in terms of the service level, I do not really think if we accept that we are doing our job as appropriators. I recognize that everybody has to hitch in their belt a little bit, but that gets to be a preposterous lag time in terms of funding and service.

So I would hope that the chairman and others in the committee would take a look at this request and view it in light of the statistics that were in response to the chairman's questions.

Mr. Chairman, I have no more questions.

Again, I would also like to publicly acknowledge Sharon Rockefeller for all the good work that she has done in the years that we worked with her on this committee. I think we have been very fortunate to have persons, whether it is Lee Hanley or Don or Sharon or whoever, serve the Corporation for Public Broadcasting and throw their partisanship and philosophy and everything else out the window to do the best for the Corporation. I think you have all done that, and you have done it in spades, and I thank you very much.

ADVERTISING ON PUBLIC TELEVISION

Senator CHILES. I think you have, too, and I have some questions for the record.

One thing that I want to just raise as a caveat, and I know this is driven by the Federal withdrawal of funds, but I am looking more and more and seeing in public television more and more advertising. First it was just the names of the contributors, but every time I see it, it is increasing. I fear that if we are not careful there will be a time when you, the public, and the contributors will not be able to distinguish between the two.

Also, I wonder if the quality of your service can continue because somehow where that advertising money gets so strong that it starts having views and it starts making those views known, subtly maybe, as in the source of your contributions but still in political campaigns it happens.

As I say, I understand that stations and areas are being driven to that. At the same time, I think that will make it tougher at some stage for us up here to support the kind of funding that we think we should be supporting for you and keeping nonpaid broadcasting, which I think has been so beneficial to the country.

Thank you very much.

Mr. LEDWIG. Thank you, Mr. Chairman and Senator Weicker.

Mr. HANLEY. Thank you.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. The additional questions to which were referred to earlier will be submitted to you for your response.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

FY 1990 REQUEST

Question. Gentlemen, you are requesting for 1990 the authorized amount of $254 million, an increase of $26 million above the enacted level for 1989. How would this additional funding be used?

Answer. Federal funds appropriated to CPB are required by law to be distributed according to an allocation formula. CPB supervises this allocation process to ensure that funds are distributed according to this formula and that those funds are spent in accordance with established procedures and guidelines.

Based on that formula the additional $26 million would be applied as follows:

$13.2 million	To public television licensees as Community Service Grants
$4.4 million	To support program production for national television programming
$4.2 million	To public radio licensees as Community Service Grants
$1.6 million	To support program production for national radio programming
$2.6 million	To support general system requirements in addition to those funded above. Traditionally, these funds have supplemented children's programming production, paid fees due music copyright holders, assisted in covering interconnection construction and maintenance, and general operating expenses.

Within the area of programming and other system support, areas where CPB has more direct influence over the application of funds, additional resources would be applied to a list of projects for which sufficient funds have not been available. Assured additional funds for FY 1990 would allow CPB (1) to continue to support multiyear program development and production commitments (commitments that cannot be prudently made when federal support is uncertain or declining), (2) to play a more significant role in planning and development of the next generation satellite communication system, and (3) to expand our commitment to goals critical to achieving the best use of the opportunity inherent in the most advanced telecommunications system in the world (considering commercial and public broadcasters), such as greater diversity of programming and staff and better children's programming.

Question. Would this increase enable the Corporation and the member stations to provide greater services than will be provided in 1989?

Answer. Should CPB receive the full amount authorized for FY 1990, member stations would be able to enhance the services they offer either through increasing the quality of existing productions or through expanding the quantity of services offered. The amount of funds available for these improvements will depend on the rate of general inflation between now and FY 1990 and the number of stations eligible for assistance in that year.

It is important to note, however, that even at a funding level of $254 million, as authorized, CPB's contribution to public broadcasting would still fall below the $307 million level we estimate would be needed to simply restore FY 1982 federal support levels, in current dollars. Therefore, while an appropriation of $254 million represents a $26 million increase over 1989 funding levels, it would still be $51 million below the level of federal support in FY 1982 if measured in 1982 dollars.

Stations determine the uses (primarily programming) to which they put any additional revenues in conjunction with their viewing and listening communities. Any additional funds above those needed to adjust for increased costs would be applied by this process. Since public broadcasting does not reach all American households, new stations are constantly applying for assistance. As more stations become eligible, CPB is able to expand coverage to more communities, especially through radio.

IMPACT OF ADMINISTRATION REQUEST

Question. Gentlemen, what is the current status of the funds appropriated for 1988 and 1989?

Answer. Congress has appropriated and the President has signed into law appropriations for CPB for FY 1988 ($214 million) and FY 1989 ($228 million). The President's Budget has included requests that Congress reduce these levels through legislative action and apply those reductions in FY 1990 in lieu of the appropriation of new FY 1990 funds.

Question. Have any of the funds been committed to individual TV and radio stations?

Answer. CPB and the recipients of CPB Community Service Grants (CSG) make preliminary estimates of support to various system activities and develop planning budgets as soon as levels of federal support for a given fiscal year are enacted into law. At local stations, planning and capital budgets are drafted as soon as their estimated CSG amounts for a fiscal year are known. CSGs provide stations with their base cash revenues upon which they build operating budgets. Their CSG revenues, although not received until the fiscal year in question, allow stations to develop operating budgets, plan program acquisitions, and develop local production plans in advance of the actual budget year. Program producers can then put in place production schedules that assure stations that programming needed two years hence will be produced on time and as inexpensively as possible.

Question. What would be the short-term and long-term impact on the stations if we accepted the Administration's request?

Answer. Currently, all CSG recipients have in place operating budgets for FY 1988 (starting on July 1, 1987, for most stations) that are based on receipt of CSGs from CPB's appropriation of $214 for FY 1988. Any reduction to that appropriation at this late date would materially alter the ability of these stations to implement their FY 1988 operating plans and would force them to reduce commitments already in place for programming in production. Furthermore, stations would have to redirect their fundraising efforts in an attempt to make up these lost revenues and would run the risk of losing additional revenues from subscribers and corporate underwriters, most of whom are attracted by the initial programming made possible with federal funds.

Any further change in the nature, level, and direction of growth of federal support would cause severe uncertainty within public broadcasting and would greatly reduce the ability of member stations to take the risks necessary to sustain the flow of new programming needed by all media to hold audiences (and subscribers). While it is convenient at times to think of public broadcasting as a "system" receiving federal support, it is important to remember that each station must balance its own books, must be responsive to its own community and must operate in a fiscally prudent manner consistent with its charter. Any unplanned cut in a significant revenue source reduces a station's ability to grow and improve service.

Because of the limited resources within public broadcasting the capital necessary to develop new programming and to sustain current series must be pooled from many member stations, CPB and other funders. When fiscal uncertainty becomes too much of a planning factor, many members of the pool cannot prudently accept the risks and the projects die. This type of unanticipated disruption took place in FY 1981, following abrupt federal rescissions, seriously reducing the amount of programming in production, an adverse impact from which we are just now recovering.

Should Congress adopt funding levels assumed by the Administration, the system would experience serious revenue erosion (possibly greater than the actual dollar loss because of the multiplier effect of federal support), followed by a loss of member stations and a decline in program quality and quantity. Program quality sustains our audiences and attracts their financial support. Our ability to educate and inform audiences at all levels depends, to a large extent, on the quality of programming in the system.

WHO LISTENS AND WATCHES

Question. It has often been alleged that public TV and radio primarily serve an upper income audience and therefore public funding is of questionable merit. What are the income and education profiles of your watchers and listeners?

Answer. Public television and radio do not "primarily" serve an upper income audience, nor is the rationale for public funding based on income redistribution.

Nearly 40 percent of the listeners to public radio and nearly half of the public television audience have household incomes of less than $25,000. While higher income people are somewhat more likely to use public broadcasting services than low-income people, that is a far cry from "primarily serv(ing) an upper income audience." Moreover, the rationale for federal, state and local government contributions to the financing of public broadcasting has much more to do with everyone's access to excellence in broadcast programming than with what rich people or poor people can afford to buy in the cultural and educational marketplaces.

COST INCREASES

Question. On page 14 of your budget justification you contend that the cost of program production continues to exceed the rate of inflation. Please explain why.

Answer. Our analysis of program production cost data has indicated that programming and production costs increase at rates higher than the CPI. While we have not been able to identify the exact cause of this variance, we believe it is the result of the element of the production process -- skilled technical labor, film, new technological systems -- increasing in cost more than the general consumer goods contained in the CPI, such as basic food supplies, oil and gas products, housing costs, etc.

We also must compete with other media such as cable, networks, theatrical producers, and independents for production resources. Much of the hardware needed to produce and operate television and radio stations must be purchased in markets in which prices are determined by companies that can shelter capital expenses, reducing the impact of increases.

FUNDRAISING EFFORTS

Question. Last year you noted a slight decline in "on air" fundraising efforts. What has been your experience with this activity this year?

Answer. The reference last year was to a dip at many public television stations in the amount of contributions pledged during the December 1985 on-air pledging period. Fluctuations in the success of on-air pledging from one "marathon" to the next are not unusual, but when many stations experience a shortfall at the same time, there is often concern.

Pledging has recovered at most stations during the pledge periods since then, and many station managers are now trying to focus on the larger picture -- both over time as the short-term fluctuations balance out and across all fundraising methods.

Fundraisers are increasingly experimenting with additional solicitation methods. These are usually viewed as alternatives that will help to limit, if not reduce, the amount of air time spent on fundraising, rather than on the programming that audiences seek.

Contributions from individual viewers and listeners continue to grow in importance as a source of revenue for public television and radio, although overall figures for revenue from individual giving for Fiscal Year 1986 are not yet available. We will be happy to make them available to the Subcommittee as soon as they are ready.

Question. Please briefly explain which areas of private fundraising have been the most and least successful for the public TV and radio stations.

Answer. In public television, stations are seeking -- with varying degrees of success -- effective alternatives to the familiar "telethon"-style on-air fundraising appeals. "Quiet drives" (substitution of brief promotional spots soliciting new memberships and direct-mail requests for membership renewal), as well as pledge breaks featuring videotaped appeals with higher production values, have been tried but have not shown consistently improved financial results. The current situation might best be described as one of continued experimentation without any clear gains yet in the effectiveness of fundraising methods.

One area of concern has been the plateauing of corporate support for programming production and acquisition over the past three years. Public broadcasting is constantly exploring ways to increase corporate support, but corporations have not become a means of funding growth. This experience seems to reinforce the findings of the bipartisan Congressionally appointed Temporary Commission on Alternative Financing, which reported that corporate support would not provide a substitute for continuing federal support.

"Bottom line" revenues, however, are generally growing at modest rates when stations do "whatever is necessary" to attract the contributions.

In public radio during the last two years, stations have typically made major gains in the effectiveness of their on-air fundraising, raising more money from listeners despite spending less air time soliciting contributions. On-air appeals remain the most important method of encouraging new contributors, but are increasingly being supplemented by direct-mail solicitation of membership renewals. So-called "acquisition" direct-mail methods (i.e., mail solicitations aimed at getting first-time contributions) have been found to be quite ineffective, as has telemarketing in the few cases where it has been tried. (There seems to be strong built-in resistance to telemarketing among many public radio listeners.) Major-giving programs are not yet a significant factor in public radio fundraising, but they are an important focus this year in workshops and training programs for public radio fundraisers.

Question. Does the Corporation make any effort to educate individual stations as to new and successful fundraising methods?

Answer. CPB regularly supports training and technical assistance programs for station fundraising staffs, particularly through the work of the Development Exchange, the PBS Development department and the regional associations. We also sponsor a continuing program of market research aimed at identifying particularly effective positioning statements and fundraising appeals.

CABLE CARRIAGE

Question. I am aware that cable television has been helpful in extending the reach of public television signals. But now I understand that, since there are no cable rules, many cable systems have been dropping their local public television stations in order to carry more pay-movie channels. How has that affected access to public TV?

Answer. Most public television stations operate on UHF channels, which are not as effective as VHF channels in covering a large area with a clear signal. Even public television stations operating on VHF channels can experience difficulty in reaching their audiences if they are located in urban or mountainous areas where tall buildings and terrain cause interference. Such stations, as you have pointed out, benefit from cable carriage, which provides an interference-free signal.

After the prior must-carry rules were eliminated, some cable companies dropped public television stations that they had been carrying. Several members of Congress asked the FCC to monitor the situation. The Chairman of the FCC responded to this request by declining to monitor cable carriage of public television stations, claiming that the FCC simply did not have the resources to accomplish such a task, and that there was nothing the FCC could do with such information even if it were able to collect it.

In the absence of FCC compliance with these Congressional requests, the National Association of Public Television Stations undertook to learn from its member stations whether any had been dropped or moved to a different channel. NAPTS's informal survey revealed approximately 150 cases in which a public television station had been dropped. The cable industry has disputed NAPTS's figures, ignoring the study's main point: that in the absence of must-carry rules, cable systems cannot be relied upon to carry local public television stations.

When a cable system refuses to carry a public television station, the station is at a severe disadvantage in its ability to serve its audience, which may include several school districts. The cable company may well have disconnected the receiving equipment necessary to pick up the station's signal over-the-air, making it impossible to receive a clear signal. Even when the receiving equipment has been left intact, the complications involved in trying to receive a signal over-the-air on a television set that is connected to a cable system place a station excluded from cable carriage at a competitive disadvantage.

Some have argued that it is harmless for a cable system to drop a public television station if there is more than one such station in the area. This view is based on a gross misunderstanding of the programming policies of public television. Multiple stations in a market do not serve the same audiences. They are designed to serve differing needs and interests, and they are careful to minimize duplicating programming. In fact, for example, if two radio stations offer essentially the same programming service in an area, they cannot receive funds from CPB. Thus, dropping one station in a multiple station market is as harmful to that station's audience as dropping the only public television station in an area.

In summary, accurate statistical data on the effect of no "must-carry" rule upon access to public television is not available because the FCC has declined requests, including several from the Congress, to monitor the situation. However, reports being received from public television stations indicate that access to public television programming is being significantly constrained through the unilateral and arbitrary action of cable companies no longer required to carry public television signals.

FACILITIES

Question. Since I also sit on the Commerce, Justice, State Subcommittee that appropriates funds for the Public Telecommunications Facilities Program, I would like to ask a question about that program, too. I know this facilities program is not within your jurisdiction, but would you care to comment on its importance to the overall public TV and radio services that you are responsible for?

Answer. CPB is on record at NTIA in support of its facilities program for public telecommunications entities. CPB funds are utilized by the public broadcasting system for programming and related expenses.

NTIA-PTFP funds are integral to CPB's goals since they provide the means for delivering the radio and television programming. The facilities program has always been underfunded when compared to needs and requests.

If we had to build the system from scratch, it would cost over $1.5 billion. The federal investment in this system is substantial. The preservation of that investment is important because of the multiplier effect of federal dollars in generating the local capital necessary, especially for those items not eligible for PTFP funding.

In a recent filing on a proposed rules change at PTFP, CPB indicated that the current priorities should be changed to make replacement of basic equipment at existing stations the top priority for funding in the PTFP television facilities program and the provision of first signals, regardless of local origination, as the top priority for its radio program followed closely by replacement of equipment as the second priority.

PTFP has as its highest priority the provision of first signals and local origination capability in unserved areas. While CPB supports those priorities, we believe that since most of the country has access to at least one public television signal, less funding should be reserved for that priority in order to fund more requests for equipment enhancement and replacement at existing television stations. Such requests generally involve replacement of transmission and origination equipment without which the stations would not be able to provide a consistent signal.

Currently, PTFP places a low priority on replacement and enhancement of equipment at existing stations. The priority ranking is even lower for stations in markets where there is more than one public station. CPB encourages NTIA and PTFP to place more emphasis on equipment replacement at existing public television stations especially if the stations have been in operation for 10 years or more, regardless of whether those stations maintain an exclusive position in their marketplaces.

Often multiple public stations in a single market serve special interest audiences such as children, minorities, and adult learners, but the current PTFP priority structure does not take that into account. CPB believes it is important to maximize previous investments in existing stations to ensure the continuation of services that have become integral to the communities served by those stations.

CPB's position on equipment enhancement and replacement is in keeping with the amendment made by Public Law 99-272 which repealed the dedication of not less than 75 percent of PTFP funds to new service.

BOARD MEMBERS

Question. I understand that the Corporation's Board has three vacancies and an additional 3 Board members, including the wife of my colleague, Mrs. Rockefeller, will rotate off the Board in less than a month. Has the White House sent up recommendations for any of the vacancies on the Board?

Answer. As of March 17, 1987, the President has nominated Ms. Sheila B. Tate of Virginia and Mr. Harry O'Connor of California to the CPB Board. The formal review process by the Office of Government Ethics and then the Senate Commerce, Science and Transportation Committee has commenced. As of this date, CPB has not been officially informed of any other nominations to the Board.

Question. How will the Board function with only four members?

Answer. Under the Public Broadcasting Act, the CPB Board retains full authority to act for the Corporation regardless of the number of Board members then serving. 47 U.S.C. 396(c)(6) provides that "(a)ny vacancy on the Board shall not affect its power, but shall be filled in the manner consistent with this Act." If the number of Board members should be reduced below three, the Corporation may have problems under the District of Columbia Non-Profit Corporation Act, under which we are incorporated, but CPB does not anticipate a problem in this regard. The next Board member terms to expire will not occur until 1989. With undiminished authority, the Board will continue to set policy for the Corporation and direct its actions according to the Board's normal practice, and consistent with the duties and authorities granted it under the Public Broadcasting Act, the CPB Bylaws and the D.C. Non-Profit Corporation Act. CPB would prefer, of course, that a full Board could be in place as soon as possible to facilitate the many activities of the Corporation and to provide a wider mandate for the actions of the Board.

TOTAL INCOME

Question. What is your estimate of public broadcasting total income for FY 1986?

Answer. CPB estimates that total public broadcasting income for FY 1986 will be almost $1.2 billion, up from just under $1.1 billion the previous year. Annual financial reports from the stations are being processed currently; the actual data are not yet available.

Question. The Corporation has now had more than a full year's experiment with its new funding mechanism for National Public Radio. How well has this new mechanism functioned?

Answer. At the May 1985 Public Radio Conference, NPR member stations adopted a business plan with two objectives: the assumption by stations of greater control and responsibility for the financial and programmatic management of National Public Radio and the creation of a radio program fund.

FY 1987 is the first year of NPR's operation under the Business Plan. Stations determined the level of programmatic activity they anticipated from NPR and investment they were willing to make. NPR is operating within this framework by continuing to provide such programs as All Things Considered and Morning Edition. In fact, Morning Edition will be expanding to a seven day per week series in the spring of 1987.

CPB assisted in the achievement of Business Plan objectives through the creation of the National Program Production and Acquisition Grants (NPPAGs), for which CPB has allocated 22 percent of its radio allocation. These funds are disbursed by CPB directly to eligible stations using the same "base plus incentive" formula used for CSGs. CPB requires that NPPAGs be used exclusively to acquire, produce, promote or distribute programming that is of more than local interest. The remaining balance of national programming funds, $3.15 million, is reserved by CPB to create a Radio Program Fund at CPB to encourage the development of innovative programming for national distribution.

CPB considers the specific allocation of national programming funds to CSG-qualified stations, using the NPPAG program, to be conditional and its continuation dependent on an annual review of the results of such grants. This conditional restraint must remain to allow CPB to ensure that national programming by and about specialized audiences and programs produced by independent producers are made available.

The first NPPAG funds were disbursed in November 1986. CPB has already begun a review and analysis of the program and has begun to consult with the system on the effectiveness of this approach. In the meantime, NPR is consulting with its member stations regarding FY 1988 program service levels and the investment which will be required.

Question. In your proposed FY 1986 budget, money is allocated for a new radio audience growth project and the creation of minority radio production centers. Would you comment further on the specifics of these proposed undertakings?

Answer. Audience Building and Radio Production Centers. In response to the radio system, CPB has funded two new projects to assist the radio system with its audience building goals. They are the audience building project and the target audience production center project. Both have been funded in the FY 1988 CPB budget.

Audience Building. Details on the audience building project will be developed in consultation with the public radio system over the next several months. CPB has begun the process by consulting with system representatives to compile all existing ideas for the project.

Meanwhile, in response to the requests of radio managers to study ways to localize audience building assistance, CPB has begun a demonstration project using two typical public radio stations that already have been successful in using audience research to develop audiences (fine arts station, WKAR-FM, East Lansing, Mich., and minority audience station, KXCR-FM, El Paso, Tex.). The demonstration project will study what those stations have done to maximize their audiences, identify local strategies that might be useful for other stations, and identify strategies to help the demonstration stations continue to increase audiences and fundraising potential.

A report on the audience building demonstration project will be shared with the system in the late summer or fall and will be used in the planning process for the systemwide project.

Target Audience Production Centers. The target audience production center project will establish up to four radio production centers to plan, develop, produce and distribute national radio programming by and about ethnic and culturally diverse people.

The idea for this project was developed during CPB's regular, ongoing consultation with the radio system. The proposal will be refined with details and specifics over the coming months in consultation with the system. Below are preliminary plans that have been identified by station and national representatives.

1. The centers should be station based, if possible.

2. The initial phase of planning and development should involve in-depth research of the potential and actual target audiences for radio.

3. The centers should be responsible for seeking short- and long-term funding for productions through development, grant writing, and program marketing efforts.

4. Each center should plan to be self-supporting within three to four years of establishment.

5. The goals of the centers should be:

    a. To provide a variety of high quality programming in sufficient quantity to attract, increase, and maintain ethnic and culturally diverse audiences for target audience and general audience radio stations.

b. To assist target audience public radio stations and independent producers to produce a variety of high quality programming for national distribution.

c. To provide a variety of high quality programming in sufficient quantity to significantly reduce the local production requirements at many target audience public radio stations.

QUESTIONS SUBMITTED BY SENATOR DALE BUMPERS

PUBLIC BROADCASTING DEMOGRAPHICS

Question. Does the Corporation maintain statistics on the extent to which public broadcast signals -- both radio and television -- reach households in the United States? What percentage of households in the United States receive a broadcast public television signal? And what percentage of television households receive public radio signals? What percentage of U.S. territory in the 48 continental states receive public television signals? What percentage of such territory receives radio signals? How many people in the United States do not reach broadcast public radio and television signals, respectively?

Answer. Nationwide, public television stations provide broadcast service to about 92.5 percent of the population and 92.6 percent of the households (as measured by the 1980 Census), using a combination of full-power stations and low-power television translators authorized as of July 1986. (A.C. Nielsen Company estimates of between 97 and 98 percent of the households include some coverage provided only through cable television system carriage, where no over-the-air service is available.)

The equivalent national figure for public radio's broadcast signal coverage, again including both full-power stations and low-power FM translators authorized as of July 1986, is 82.4 percent of the population (as measured by the 1980 Census). Cable carriage of radio signals is not a significant factor.

CPB has not compiled statistical data on the geographic extent of signal coverage, although data on demographic coverage are available for smaller geographic areas, such as states, and will soon be available for Congressional districts.

Question. Does the Corporation have any further demographic statistics of this nature that it could share with the Subcommittee?

Answer. The following are summary demographic statistics:

DEMOGRAPHIC COMPOSITION OF PUBLIC RADIO AUDIENCES 1986

Demographic Category	Percentage of All Persons 18+ or More Years Old	Percentage of Public Radio Listeners: (18+ Years Old)	
		"Within the Last 7 Days" March 1986**	"Ever"**
Sex:			
Men	47%	61%	54%
Women	53	39	46
Age:			
18-29	30%	26%	29%
30-44	28	37	33
45-59	20	25	24
60 and Over	22	13	14
Household Income:			
Under $15,000	28%	18%	19%
$15,000-$24,999	26	20	21
$25,000-$34,999	22	24	26
$35,000 and Over	23	38	33
Race and Hispanic Ethnic Origin:			
White	84%	85%	87%
Black	12	11	10
Hispanic (Regardless of Race)	6	1	2
Region:			
Northeast	22%	21%	23%
Midwest	26	33	34
South	33	26	23
West	19	20	20
Market Size:[1]			
A County	41%	43%	40%
B County	31	38	36
C County	15	10	12
D County	13	9	12

Demographic Category	Percentage of All Persons 18 or More Years Old	Percentage of Public Radio Listeners: (18+ Years Old)	
		"Within the Last 7 Days" March 1986**	"Ever"**
Education:			
College Graduate	16%	44%	33%
Some College	22	23	24
High School Graduate	39	22	32
Not High School Graduate	23	11	11
Occupation:			
Executive/ Professional	16%	31%	27%
White Collar	18	20	22
Blue Collar	28	21	24
Unemployed or Not in Labor Force	38	26	25
Children Under 18:			
Household With Children Under 18	42%	45%	45%

NOTES

[1] Market sizes are:
- A. All counties belonging to the 25 largest Standard Metropolitan Statistical Areas (U.S. Census definition).
- B. All counties not included under A with populations of 150,000+ or are within SMSAs of 150,000+.
- C. All counties not included under A or B with populations of 40,000+ or are within SMSAs of 40,000+.
- D. All remaining counties.

Sources:

* Estimates of age, sex and racial composition are based on May 1984 U.S. Census Bureau projections for mid-1985; estimates of household income and occupational composition are for 1983 and are based on the Bureau's Current Population Survey; all other

estimates of the socioeconomic and demographic composition of the sample population (i.e., the universe to which the sample-based estimates apply) are based on data from the 1980 Census enumeration.

** Roper Report No.86-4, March 1986, based on persons 18 years or older.

Corporation for Public Broadcasting
Policy Development and Planning
February 1987

DEMOGRAPHIC COMPOSITION OF PUBLIC TELEVISION AUDIENCES 1986

Demographic Category	Percentage Of All Persons 18+ Years Old, All Heads-of-Household, Or of All Households*	Percentage of Persons 18+ Viewing PTV In the Last Seven Days (Oct. 1986)**
Sex:		
Male	47%	47%
Female	53	53
Age:		
18-29	28%	26%
30-44	30	32
45-59	20	19
60 and Over	22	23
Household Income:		
Under $15,000	30%	25%
$15,000-$24,999	24	23
$25,000-$34,999	18	19
$35,000 and Over	28	32
Race and Hispanic Ethnic Origin:		
White	84%	87%
Black	12	10
Hispanic (Regardless of Race)	5	4

Demographic Category	Percentage Of All Persons 18+ Years Old, All Heads-of-Household, Or of All Households*	Percentage of Persons 18+ Viewing PTV In the Last Seven Days (Oct. 1986)**
Region:		
Northeast	22%	23%
Midwest	26	26
South	34	31
West	18	20
Market Size:[1]		
A	41%	42%
B	32	33
C	14	14
D	13	12
Education:		
College Graduate	18%	22%
Some College	20	23
High School Graduate	40	37
Not High School Graduate	22	17
Occupation:		
Executive/ Professional	16%	19%
White Collar	16	16
Blue Collar	28	25
Unemployed or Not in Labor Force	38	39
Children Under 18 in the Household:[2]		
With Children Under 18	42%	41%
Under 13	34	33
13 to 17	16	15

Demographic Category	Percentage Of All Persons 18+ Years Old, All Heads-of-Household, Or of All Households*	Percentage of Persons 18+ Viewing PTV In the Last Seven Days (Oct. 1986)**
Cable Subscription:		
Non-Cable	50%	44%
Cable	48	54

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[1] Market sizes are:
  A. All counties belonging to the 25 largest Standard Metropolitan Statistical Areas (U.S. Census definition).
  B. All counties not included under A with populations of 150,000+ or are within SMSAs of 150,000+.
  C. All counties not included under A or B with populations of 40,000+ or are within SMSAs of 40,000+.
  D. All remaining counties.

[2] Categories are not mutually exclusive, so percentages for age subgroups will not add to percentages for larger age groups.

Sources:

* Estimates of age, sex and racial composition of the population 18+ years old are based on May 1984 U.S. Census Bureau projections for mid-1985; estimates of household income are for 1983 and are based on the Bureau's Current Population Survey; estimates for the education of heads of households, for market size and for cable subscription are A.C. Nielsen Co. estimates for 1985; all other estimates of the socioeconomic and demographic composition of the sample population (ie, the universe to which the sample-based estimates apply) are based on data from the 1980 Census enumeration.

** Roper Report No.86-10, October 1986, based on persons 18 years or older.

Corporation for Public Broadcasting
Policy Development and Planning
February 1987

Question. What are the Corporation's recommendations for reaching presently unserved areas?

Answer. A variety of approaches will be needed, particularly to maintain cost effectiveness within the context of free, local broadcast services that depend significantly on voluntary financial support from their audiences and their local business communities. CPB believes that the most important tool for extending coverage continues to be adequate funding of the Public Telecommunications Facilities Program, which contributes substantially to the capital cost of new public broadcasting facilities. In the further development of public radio, we also believe that participation by state governments -- especially where state governments have taken the lead in development of public television services -- will be key.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

BIENNIAL BUDGET CYCLE

Question. Calls for budget reform are increasingly heard as budget deadlines are too often missed, important budget decisions are delayed, appropriation bills and other direct spending legislation are held up in committee, and omnibus spending bills take the place of timely and orderly consideration of individual bills.

One procedural reform that is being considered is the two-year budget cycle where budget and appropriations matters would be considered in the first year, and authorizations and oversight would be undertaken in the second year. Would your department/agency favor a biennial budget process? What benefits would your agency achieve in a two-year appropriation cycle?

Answer. CPB, as a private, nonprofit corporation, is perhaps unique in the federal budget in that it is authorized in three-year segments in advance. This beneficial arrangement was put into the Public Broadcasting Act in 1975 to serve several needs of CPB and public broadcasting, principally, to allow planning for future programming by CPB and by the recipients of CPB funds. This planning is essential since television and radio programming requires extensive lead time, and public broadcasting programming requires even more time to put the financing packages together. The amounts of CPB money which will be available are critical because CPB money often leverages other private production funds as well.

Therefore, a mechanism in the federal budget process which would allow more advance knowledge about appropriation amounts, would also increase the amount of planning and fundraising that could take place and would better serve the entire public broadcasting industry. CPB's support for such a plan would depend, of course, on the details of its implementation but, as a concept, CPB could support a biennial budget process. To make the current proposal work efficiently for CPB, the advance-year authorization and appropriation cycles of CPB would have to be synchronized with the biennial budget cycle -- perhaps by increasing CPB's forward authorizations from three to four year blocks.

Question. Approximately what proportion of your annual appropriation request would you consider simply repetitious of the previous year's submission?

Answer. Factors like the budget allocation plan that is contained in the Public Broadcasting Act, the matching concept and authorized ceilings established for CPB's appropriations, and the narrow scope of CPB activities, all combine to make CPB's appropriation requests very similar, if not repetitious, from year to year. The CPB budget categories are established in the Public Broadcasting Act and the amounts in each category change only as a factor of the total appropriation received.

Question. What difficulties can you foresee in preparing and submitting a two-year budget to the Congress?

Answer. Barring some unforeseen requirement and effect, we presently do not perceive difficulties in preparing and submitting a two-year budget to the Congress, nor would we oppose the biennial budget concept if, as we understand the proposal, it would extend (and not reduce) our planning horizons. Thus, a biennial budget submission should create no administrative problems for CPB.

RAILROAD RETIREMENT BOARD

STATEMENT OF ROBERT A. GIELOW, CHAIRMAN

ACCOMPANIED BY:
JOHN D. CRAWFORD, MANAGEMENT MEMBER
C.J. CHAMBERLAIN, LABOR MEMBER

PREPARED STATEMENT

Senator CHILES. Our next panel of witnesses represents the Railroad Retirement Board, and here to testify this afternoon is Mr. Robert Gielow, the Chairman; John D. Crawford, the management member; and C.J. Chamberlain, the labor member. We will consider the inspector general's budget separately.

The Railroad Retirement Board is responsible for administering the comprehensive retirement-survivor and employment-sickness insurance benefit programs for railroad workers and their families. The administration is proposing a 25-percent cut of $92 million in the Federal portion of the Railroad Retirement Pension Program. I, for one, am very concerned about this.

We would ask you, again, if you would try to summarize and digest your statements. Your full written statement will be included in the record.

[The statement follows:]

STATEMENT OF ROBERT A. GIELOW

Mr. Chairman and Members of the Committee, I would like to begin with some general information about the Railroad Retirement Board.

Programs Administered by the Railroad Retirement Board

The Railroad Retirement Board is an independent agency in the executive branch of the Federal Government. Our primary function is to administer retirement/survivor and unemployment/sickness insurance benefit programs for the nation's railroad workers and their families, under the Railroad Retirement and Railroad Unemployment Insurance Acts. In connection with the retirement program, the Board has administrative responsibilities under the Railroad Retirement Act for certain social security benefit payments and railroad workers' Medicare coverage. The Board has also been involved in recent years in the administration of employee protection measures provided by other Federal railroad legislation.

During fiscal year 1986, the Board paid over $6 billion in retirement and survivor benefits and over $185 million in unemployment and sickness insurance benefits. At the end of the fiscal year, there were about 940,000 beneficiaries receiving railroad retirement and survivor benefits. During the benefit year that ended in June 1986, over 87,000 railroad workers received unemployment insurance benefits and over 50,000 received sickness insurance benefits.

Sources of Revenue

The primary source of revenue for the retirement/survivor program is payroll taxes on railroad employers and employees. Other sources of revenue currently include a financial interchange with the social security trust funds, interest on investments, and general funds. For certain vested dual benefit payments, also known as windfalls, which will continue through the year 2025, the Congress appropriates funds from the general revenues of the Treasury. Railroad unemployment and sickness insurance benefits are funded by payroll taxes on railroad employers and by loans from the rail industry pension fund.

Structure of the Board

The Board is administered by three members appointed by the President, with the advice and consent of the Senate. One member is appointed upon recommendation of railroad employee organizations, and another is appointed upon recommendation of railroad employers. The third member, who is the Chairman, is, in effect, independent of employees and employers and represents the public interest. The terms of office are 5 years, and they are scheduled to expire in different years.

The President also appoints an independent statutory Inspector General for the Board to prevent and detect waste, fraud, and abuse in agency programs and operations. The Inspector General does not participate in the administration of the agency, but rather, is independent. He is responsible for keeping the Board Members and the Congress informed about problems and deficiencies in the agency's programs and operations, about the need for corrective action, and about progress of corrective action.

Recent Developments

The basic purpose of the Railroad Retirement Board is to provide accurate and timely payments to railroad workers, retirees, and members of their families who are covered by the programs we administer. Our current highest priority is to enhance this service by improving our automated systems. Over the long term, we anticipate that not only will increased accuracy and timeliness result, but also improved efficiency and cost savings. Over the short term, the development of these improved and automated systems will require a significant commitment on our part. We have had some setbacks in our efforts, but we have also had successes.

First, I would like to comment on the retirement claims processing system (RCPS), currently the agency's highest priority. The RCPS is an on-line, transaction-oriented system which will encompass retirement, survivor, and Medicare operations. We are nearing completion of the logical design stage of this project and have already spent over $12 million. The logical design phase of systems development is analogous to the development of a detailed set of blueprints for a house based on a family's stated requirements and the architect's design skills.

Increases in the estimated costs of continuing the project at the previous pace and extensions in the estimated completion date caused concern among the Board Members and other agency officials. The Board funded an audit of the RCPS, contracted for and managed by the Inspector General. Preliminary briefings by the audit contractor and the IG specifically pointed out that there was no evidence that the RCPS would not do what it was intended to do. However, questions were raised regarding the level of automation and other issues. According to the Inspector General, the project's viability has become a serious issue due to repeated schedule delays and increased implementation costs. After careful consideration, the Board made what it considers a prudent business decision. We recently decided to issue a stop-work order on the project which limits the contractor's efforts to certain aspects of the contract. We believe that as the logical design phase of the project nears completion and before actual construction of the system begins, it is an appropriate time to assess the future direction of the project and consider all options in light of what we've learned to date. Because actual construction of the system would not begin until the next phase of the project (Physical Design) our investment and accomplishments will not be lost no matter where we go from here.

We have assembled an assessment team of senior managers that will be directed by our Associate Executive Directors for Data Processing and Retirement Claims. During a 90-day period, this senior management team will be preparing a detailed assessment of the RCPS project and its future direction. Issues that they will be addressing include whether the RCPS project should be rescaled or rescoped; to what extent the RRB, our current contractor, and other contractors should be involved in subsequent development and implementation activities; whether intermediate implementation targets are available; and, whether the intermediate targets have potential for a payback. After reviewing the assessment team's report, the Board Members will decide whether there should be a change in the project's direction. The Board remains committed to improving accuracy and service delivery, whether in the form of the currently envisioned RCPS or some modification of it.

Over the last year, we successfully implemented a provision in the Consolidated Omnibus Budget Reconciliation Act of 1985 that corrected an anomaly that treated some rail industry pensions like social security for income tax purposes. The legislation -- distinguishing rail social security from rail industry pensions -- was enacted in April 1986, but the change applies to railroad retirement payments for all of calendar year 1986. We made implementation of this amendment our top priority for the last half of 1986 to meet its legal requirements and because estimates indicated that about $40 million in additional income tax revenue would result. I am happy to report that we met the deadline for this project. In January, we released annual tax statements, Forms RRB-1099/W-2P/1042S, that were prepared in compliance with the amendment, to 994,000 railroad retirement annuitants. More income tax revenue will result because, under the amendment, a larger portion of the railroad retirement annuity is treated for income tax purposes like a private pension. Rail social security payments are subject to the more lenient social security tax treatment.

The one-time implementation effort, however, took its toll on our program operations and automation efforts. In order to make this major one-time commitment in the short timeframe provided, we had to draw staff from throughout the agency. The effect was that we temporarily drained the resources from other projects -- including the retirement claims processing system effort. Another effect was felt in claims operations -- the loss of staff caused some temporary delays in processing. The one-time staff demands of implementing the amendment also caused us to go over our employment ceiling as we tried to backfill in the areas from which we had taken staff.

In January, we implemented a new payroll system that we developed in-house by modifying off-the-shelf software. The transition from the old system to the new one went well, especially in view of the numerous year-end transactions that we had to process during the transition period. The new system allows for on-line entry of payroll information and greater internal controls. Further, the software enabled us to implement the new Federal Employees Retirement System on time, which would have been much more difficult under our old system.

Finally, in providing certain payments to our beneficiaries, we have used the services of contractors to perform various keypunching tasks. Recently, our primary contractor ran into financial difficulties which hampered his operations. This, in turn, adversely impacted on the timeliness of service to our beneficiaries. We have since contracted with other firms to provide these keypunching services.

1988 Appropriations Requests

For fiscal year 1988, the Board Members are requesting appropriations for administrative expenses for the railroad retirement/survivor benefit program. The Railroad Unemployment Insurance Act provides for permanent appropriations of funds for the administrative expenses of the unemployment/sickness insurance program.

The Board Members are also requesting appropriations for vested dual benefit payments and for reimbursement to the trust funds and the Dual Benefits Payments Account for uncashed checks.

The Inspector General has prepared a separate justification for administrative expenses of his office. The appropriation request is referred to as the Limitation on Review Activity.

Summary of Estimated Administrative Expenses

For fiscal year 1988, the Administration estimates that $64.4 million will be needed for the administrative expenses for program operations. This is about $8 million less than the amount available for fiscal year 1987. The proposed level of 1,416 full-time equivalent employees (FTE's) for fiscal year 1988 is 141 less than the fiscal year 1987 level of 1,557 FTE's.

Limitation on Review Activity

The administrative expense estimates shown above do not include amounts for the operations of the Office of Inspector General. The Administration estimates that $3.8 million and 86 FTE's will be needed for audit and investigative activities.

The Inspector General believes that 20 to 25 of this increase in FTE's can come from transferring certain functions to the Office of Inspector General.

Limitation on Administration

The Administration's request for administrative expenses for the retirement/survivor program is $55,389,000. This will support 1,157 FTE's and their associated expenses. An additional 57 FTE's are funded from this account by transfers from the Health Care Financing Administration to provide for administration of railroad workers' Medicare coverage, and from the General Services Administration to provide for management of our headquarters building.

Limitation on Railroad Unemployment Insurance
Administration Fund

The Administration estimates that $9,010,000 and 201 FTE's will be needed in fiscal year 1988 for the administrative expenses of the unemployment/sickness insurance program. An additional FTE is funded from this account by transfer from the General Services Administration.

Dual Benefits Payments Account

The Administration requests an appropriation of $276 million from general revenues for vested dual benefit payments for fiscal year 1988. The proposed appropriation language provides that an additional $92 million would be transferred from the Railroad Retirement Account, for a total of $368 million to be available for benefit payments.

Federal Payments to the Railroad Retirement Accounts

The Railroad Retirement Solvency Act of 1983 amended the Railroad Retirement Act to provide for monthly transfers from the Treasury of amounts represented by benefit checks drawn 6 months earlier but not presented for payment. Amounts for reimbursement of such uncashed checks must be provided in advance in appropriation acts. The 1988 budget request, $3.1 million, is based on an estimate of the amounts due for such uncashed checks. In addition, the Administration is proposing appropriation language to make an additional amount of $3.1 million, for the same purposes, available in fiscal year 1989.

Administration Proposals

On behalf of the Administration, I am presenting the President's fiscal year 1988 budget proposals.

Railroad retirement financing legislation enacted in 1974, 1981, and 1983 was based on what have proven to be optimistic assumptions, and Railroad Retirement Board actuaries now recommend financing increases to protect the solvency of the fund.

Therefore, the Administration proposes to increase the railroad industry pension contributions by 1.5 percent in 1988 and again in 1989.

The Administration also plans to propose legislation that addresses equity and moves the rail pension fund toward solvency by: making uniform the treatment of rail pension payments for cost-of-living adjustment purposes by changing those aspects in the law that now treat these industry pensions like social security, furthering Congressional action distinguishing rail social security from rail industry pensions; maintaining rail pensions at the 1987 level during 1988; extending Federal/State unemployment insurance coverage to railroad employment, ensuring the payment of benefits to unemployed rail workers, and paying off the debts of the railroad unemployment insurance system to the rail pension fund; requiring the railroad retirement trust funds to pay the full normal costs of Board employees' civil service retirement benefits to the civil service retirement trust fund; and, having the rail sector finance 25 percent of vested dual benefit costs.

Two other initiatives would address aspects of the rail sector program that are financed by the social security program. First, the continuing eligibility of railroad retirement disability beneficiaries would be reviewed, just like persons getting direct social security disability payments. Second, the rail sector equivalent of workers' compensation, provided under the Federal Employers' Liability Act, would be treated like regular workers' compensation in that payments would be offset against rail disability payments.

The Administration's budget also proposes to restore the rail industry pension to the private sector. Privatization of rail pensions would free rail labor and management to bargain collectively for new benefit levels and mechanisms for a new funding arrangement. The Administration believes that this would help the rail sector move toward its long-advocated goal of a self-sufficient railroad retirement system and that privatization would generate long-term savings.

U.S. RAILROAD RETIREMENT BOARD
COMPARISON OF 1987 ENACTED, 1987 PROPOSED ADJUSTMENTS, AND 1988 PRESIDENT'S BUDGET

Account	1987 Enacted	1987 Proposed Adjustments	1987 Revised	1988 Request	1988 Compared to	
					1987 Enacted	1987 Revised
Dual Benefits Payments Account						
Budget Authority	380,000,000	-	380,000,000	276,000,000 a/	-104,000,000	-104,000,000
Outlays	380,000,000	-	380,000,000	276,000,000	-104,000,000	-104,000,000
FTE	0		0	0	-	-
Federal Payments to the Railroad Retirement Accounts (uncashed checks)						
Budget Authority	3,100,000	-	3,100,000	3,100,000	-	-
Outlays	3,000,000	-	3,000,000	3,000,000	-	-
FTE	0		0	0	-	-
Limitation on Administration						
Obligational authority (includes statutory reserve)	57,756,000	+764,000 b/	58,520,000	55,389,000	-2,367,000	-3,131,000
Outlays	57,740,000	+764,000	58,504,000	54,889,000	-2,851,000	-3,615,000
FTE (includes 57 FTE's that are reimbursable)	1,220	-	1,220	1,214	-6	-6

U.S. RAILROAD RETIREMENT BOARD

COMPARISON OF 1987 ENACTED, 1987 PROPOSED ADJUSTMENTS, AND 1988 PRESIDENT'S BUDGET

Account	1987 Enacted	1987 Proposed Adjustments	1987 Revised	1988 Request	1988 Compared to 1987 Enacted	1988 Compared to 1987 Revised
Limitation on Railroad Unemployment Insurance Administration Fund						
Obligational authority	14,942,000 c/	+214,000 b/	15,156,000	9,010,000 d/	-5,932,000	-6,146,000
Outlays	15,000,000	+214,000	15,214,000	9,000,000	6,000,000	-6,214,000
FTE (includes 1 FTE that is reimbursable)	337	-	337	202	-135	-135

a/ The President's budget proposes that 25 percent ($92,000,000) of the $368,000,000 estimate to fully fund dual benefit payments in fiscal year 1988 be financed by the rail industry by transfer from the Rail Industry Pension Fund. The fiscal year 1988 appropriation request for benefit payments from general funds is, therefore, limited to $276,000,000.

b/ FERS supplemental.

c/ $279,000 of this is transferred to the Limitation on Review Activity for administrative expenses of the Office of Inspector General (OIG), leaving $14,663,000.

d/ Not included is $836,000 which would, under proposed appropriation language, be transferred to the OIG.

SUMMARY STATEMENT

Senator CHILES. Mr. Gielow.

Mr. GIELOW. Thank you, Mr. Chairman. I would like to just briefly highlight about four items that were in my formal statement.

First, I think the wisdom of the Congress in the 1983 Solvency Act is reflected this year really for the first time, in that we have had our most positive cash flow that we have had in some time.

In the unemployment fund, for instance, we have repaid $13 million of the debt from trust funds we determined were not needed to pay benefits. From the repayment tax that the 1983 act provided, we have received another $43 million in the last 6 months which will be used to repay the debt that is owed to the retirement fund by the unemployment fund.

As far as the railroad retirement fund is concerned, this year we have had a favorable cash flow of about $1.8 billion. This is a major change and again reflects the effectiveness of the 1983 act as far as making this favorable balance.

Also, as I have indicated in my written statement, we had a new tax law provision which was applied to our beneficiaries, distinguishing the Social Security equivalent from private pension-type benefits. We had a very major effort in providing approximately 50 to 75 people full time to implement this tax which went into effect retroactive to January 1, 1986. It will generate an additional $40 million of tax revenue for the future.

The cost of this effort as far as our personnel is concerned has been major. The dedication of those people to implement that tax program has taken people from our highest priority project, which is our automated claims processing system. We have had to cut back and are currently involved in making a review as to where we are and exactly how we want to go ahead on our retirement claims processing system.

In closing, I would like to just say that the Board is full of vitality at this point. We feel that the automated claims system and the cash flow that we are enjoying at the present time are very positive things that we want to continue. We feel that we cannot possibly go ahead with these things unless we can maintain the FTE's and the dollar budget that we requested last August. This was for 1,557 full-time employees and with the new Federal Employees Retirement System a budget of $79,600,000.

I think Mr. Chamberlain would like to make a brief statement and then Mr. Crawford.

STATEMENT OF C.J. CHAMBERLAIN

Mr. CHAMBERLAIN. Thank you, Mr. Chairman. We are certainly honored again to have the opportunity to appear before you to answer your questions and concerns relating to the appropriation request for the Retirement Board. This committee has always been sensitive to the needs of the railroad community, and your past support for reasonable levels of funding and staffing have allowed our agency to continue to provide a good level of service to our beneficiaries.

As pointed out by Mr. Gielow, on September 2, 1986 the Board members submitted the Board's fiscal year 1988 budget request to the Congress for 1,582 full-time equivalent employees and $81.4 million. Although the number of new benefit applications is forecasted to decline slightly from past years, our agency has been given new accounting and tax reporting responsibilities because of recently enacted tax legislation.

This additional responsibility is currently and will in the next few years require a great deal of extra, highly complex work on the part of our agency to properly and accurately fulfill those responsibilities.

Additionally, our recent experience in the development of our new automated processing operation underscores the need for direct agency involvement and personnel commitment in such undertakings to insure desired goals are reached within reasonable cost guidelines.

Overdependence on contractual service has time and again shown to be detrimental to Federal agency operations. While it is necessary at times to utilize such services as an adjunct to agency operations, we strongly feel that the use of in-house resources is best in terms of both cost to the trust fund and acceptability of product.

We believe that the limitation on the administration at the agency request level is a responsible package. Although it may not provide all the operational enhancements we would like to see, it does provide us with a sound basis for continuing a good record of service and allows us to look to the future needs of our agency.

We will continue to evaluate personnel needs in our administrative structure to insure that our resources are utilized as effectively as possible during the coming year; however, it should be recognized that we have already made a substantial commitment in terms of our present personnel resources during the next few years. Any reduction in the agency personnel ceiling at this time or implementation of other proposals which would significantly change the operation of the Board will have serious impact on the agency's ability to provide the service our constituents expect and support through the direct payment of their tax dollars.

As the labor member, I would like to thank you and your committee for your past support, and we certainly look forward to working with you during the coming year.

Senator CHILES. Thank you.

Mr. Crawford.

STATEMENT OF JOHN D. CRAWFORD

Mr. CRAWFORD. Mr. Chairman, I would just like to add a few comments concerning the retirement claims processing system.

The retirement claims systems we have at the Board are inadequate to achieve our mission of timely and accurate service to our beneficiaries. Many of the data processing systems are 10 or 11 years old, and there are still too many manual calculations. If we do not complete RCPS, the retirement claims processing system, within a few years, we will have a more critical problem with our systems and information technology than they have at the Social Security Administration.

Based on reports from knowledgeable Board employees, the work being performed on the project by our contractor, Booz, Allen & Hamilton, is of excellent quality, better than they would expect of an outsider given the complexity of our programs. Booz, Allen has, however, missed deadlines set for completion of various phases of the project.

Everyone underestimates the complexity of our retirement, disability, and Medicare programs at the Board. It is not surprising to me that Booz, Allen ran into problems in the logical design of the project, but those problems appear to be solved, although they have delayed the project.

There is no point in terminating this project because the Board does not have the personnel, even if it had the expertise, to complete this project without outside help. I think the completion of this project is essential to the continued operation of the Board and that Congress should provide funds in fiscal year 1988 to continue this work.

Thank you for the opportunity to present my views as management member.

VESTED DUAL BENEFITS

Senator CHILES. Thank you.

The Vested Dual Benefit Program is that portion of the Railroad Retirement Pension Program funded by the Appropriations Committee from general revenue. The administration is proposing a 25-percent cut in this account.

I would like to know how the administration's funding request for the "Dual benefits" account in 1988 was calculated; what was the Railroad Retirement Board's original request; and would Congress have to change the law if the administration's proposal was accepted?

Mr. GIELOW. The 25 percent is the result, I believe, of a General Accounting Office study, and if you would like I can have our chief financial officer give you a rundown on how that has occurred. This proposal was submitted to us by the administration for inclusion along with our budget figures.

The history of the dual benefit goes back many years in the philosophy of how the amount of that was established. If you would like more details, perhaps you would rather have that for the record.

Senator CHILES. We will take that for the record, then, if you would.

Mr. GIELOW. Right.

[The information follows:]

DUAL BENEFITS APPROPRIATION REQUEST

What level is proposed in the administration's request?

The administration proposes a general fund appropriation under current law of $276 million. In addition, under proposed legislation, the administration proposes to have the rail sector fund $92 million through an additional tax on tier II payroll. The $276 million plus the $92 million would result in $368 million being available for vested dual benefit payments.

What was the Railroad Retirement Board's original request to OMB?

The Railroad Retirement Board's original request to OMB was for a general fund appropriation under current law of $368 million. This amount is needed to fully fund vested dual benefits.

How was the administration's funding request for the dual benefits account in fiscal year 1988 calculated?

The administration's funding request was calculated by taking the estimate of the amount needed for full funding, $368 million, and reducing it by 25 percent, for a resulting amount of $276 million.

Wouldn't the Congress have to change the law, if the administration's proposal was accepted?

A definitive answer to this question could probably be provided only by the Comptroller General. As a general matter, it is the Railroad Retirement Board's understanding that there is no general requirement, either constitutional or statutory, that an appropriation act be preceded by a specific authorization act. However, it is also the Railroad Retirement Board's understanding that the rules of each House of the Congress do contain some prohibitions regarding appropriations for expenditures not previously authorized by law.

In the case of the "Dual benefits payments" account, section 15(d) of the Railroad Retirement Act authorizes appropriations of the sums needed to pay dual benefit amounts. However, there is no provision authorizing appropriations for this purpose from the "Railroad retirement" account. Section 15(d) does provide that the "Railroad retirement" account may loan enough money to the "Dual benefits payment" account to fund dual benefit payments for 1 month, but it also specifically provides that the amount of money outstanding to the "Dual benefits payments" account from the "Railroad retirement" account may not exceed the amount needed to pay dual benefits for 1 month. Further, section 15(a) of the Railroad Retirement Act provides that the funds in the "Railroad retirement" account are available for the payment of certain benefits, but these benefits do not include dual benefits, which are payable only out of the "Dual benefits payments" account.

In view of these provisions, if the Congress desires to appropriate funds from the "Railroad retirement" account for the purpose of paying dual benefits it would also appear desirable, in order to avoid questions regarding the effectiveness of the appropriation, to enact separate legislation specifically authorizing such appropriations.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. We will have some additional questions that we would like to ask you for the record, including some questions on the retirement claims processing system, but I think it will be better if we ask those for the record.

We thank you very much for your appearance here today.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

FUNDING AND STAFFING - UNEMPLOYMENT/SICKNESS INSURANCE PROGRAM

Question. The fiscal year 1988 budget proposes zero funding for the administration of the unemployment and sickness insurance benefit program. Last year, $14,942,000 was appropriated for this function. Page 50 of your justification states that part of the decrease is "...a result of the legislative assumption that the unemployment insurance program will be transferred to the States, as proposed by the Administration...".

If this legislative change is not approved by the Congress, what are the adequate funding and staffing levels to administer this program?

Answer. If the legislative proposal is not approved by the Congress, an adequate administrative funding level for the railroad unemployment and sickness insurance program would be $14,601,000 and an adequate staffing level would be 303 full-time equivalent employees.

FUNDING AND STAFFING - RETIREMENT/SURVIVOR BENEFIT PROGRAM

Question. The fiscal year 1988 budget proposes $55,389,000 and 1,157 full-time equivalent (FTE) positions for administering the retirement and survivor benefit program. This represents a decrease of $2,367,000 and six positions from fiscal year 1987.

Can you tell us where the cuts are proposed?

Answer. The cuts are proposed in overtime; travel; communications, utilities and rent; printing and reproduction; contracts; supplies; and, equipment.

Question. What do you think are adequate funding and staffing levels to effectively administer this program?

Answer. To effectively administer this program, a funding level of $64,976,000 and a staffing level of 1,254 full-time equivalent employees is needed.

RETIREMENT CLAIMS PROCESSING SYSTEM

Question. I understand that the Railroad Retirement Board is developing a long-range automation plan to administer the processing of railroad retirement, survivor and Medicare claims. The estimated contractual costs for completion of this system have increased from $18.3 million to $27.6 million in 3 years time. This is a 50 percent increase in cost estimates. On the other hand, the estimated benefit to cost ratio has slipped from approximately 2.8 to 2.4. I realize that these administrative funds come out of your own trust funds and that the ultimate recipients of this management improvement are the railroad retirees. We are all interested in making sure this is conducted fairly and responsibly.

What is the current status of this project? What is the agenda?

Answer. Because of the extended schedule, increased costs, and concerns raised by the Inspector General and other agency officials, the Board Members have chosen this point in the project to assess the project's status. An assessment team, composed of senior managers, was established by the agency on February 23, 1987. During the next 90 days, the team will be evaluating the project's status to determine whether there should be a change in the project's direction or scope. After reviewing the team's recommendations, the Board Members will decide the future direction of the project.

RCPS COST INCREASE

Question. Why has the original cost increased so much?

Answer. The current cost estimate to implement the retirement claims processing system (RCPS) is approximately $27.6 million. This amount includes

- $15,565,000 for the original contract. The RCPS contractor based this amount on estimates of lines of program code and screens that would be needed to implement the system. These original estimates were provided by the MITRE Corporation which prepared a long-range automation plan for the agency.

- $1,350,000 for inclusion of additional requirements mandated by legislation and new requirements added by our agency.

- $6,422,676 for changes to the project schedule. The RCPS contractor reevaluated project costs and schedule. As the logical design was nearing completion, and all systems processes were identified, the RCPS contractor developed new project cost estimates. These estimates indicate that the size of the system is considerably larger than the estimates originally developed.

- $2,200,000, in addition to the $6,422,676 discussed above, based on further schedule adjustments projected by the Railroad Retirement Board.

- $2,000,000 for projected data conversion costs to be performed in-house or by a contractor other than Booz, Allen and Hamilton.

Question. What is the schedule for completing the new system?

Answer. The implementation plan, which is now suspended pending the completion of the evaluation process, indicated that the retirement claims processing system would have been installed in four stages beginning in April 1988 and ending in December 1988. A new implementation schedule will be developed as soon as the Board Members complete the evaluation process and decide on the direction of the project.

Question. Are there more cost-effective alternatives?

Answer. One objective of the assessment team is to determine whether any changes should be made to the current system development approach which would result in a more cost-effective implementation plan.

ADMINISTRATIVE COST OF TAX CHANGE

Question. The Consolidated Omnibus Budget Reconciliation Act of 1985 changed the definition of "Tier I" for income tax purposes.

Did this raise income tax for railroad retirees?

Answer. This change resulted in increased income taxes for some railroad retirement and survivor beneficiaries. We estimate that approximately $40 million in additional income tax revenues will be generated annually by the change.

Question. How many were affected by the change?

Answer. About 450,000 railroad retirement and survivor beneficiaries were affected by the change.

Question. How has this change impacted the Board's administration of its programs?

Answer. In order to implement the change, the Railroad Retirement Board's tax accounting and tax withholding systems had to be changed and expanded to (1) calculate the social security equivalent benefit portion of tier I for cases currently on the rolls and all new entrants, (2) substantially alter the regular payment input stream (both mechanical and manual) to bring in the data necessary for the calculations and for accounting, (3) create a new attainment notification system, (4) adapt the annual statement (RRB-1099/RRB-W-2P) processing and forms design to the new taxable split, and (5) educate beneficiaries and agency staff about the changes in law. A special team of over 70 data processing and technical experts was selected to make the procedural and systems changes by the end of calendar year 1986 to make the annual statements comply with the changed tax law. The team members were diverted for 9 months from other agency initiatives. This diversion of staff adversely affected the timeliness of benefit payments, implementation of action plans, and automation projects.

Question. Will there be any cost to administer these changes in fiscal year 1988?

Answer. Yes. On an ongoing basis, we anticipate that we will spend about 32 staff years annually in preparing annual statements and other activities related to the taxation of railroad retirement and survivor benefits. About 40 percent of this time will involve activities related to the social security equivalent benefit (SSEB) portion of tier I.

We anticipate that additional resources will be required in fiscal year 1988 to complete some systems and procedural efforts related to the SSEB tax change or other recent income tax changes, such as the elimination of the 3-year rule for recovery of contributions.

ADDITIONAL ADMINISTRATIVE COSTS

Question. Does the current request include these additional administrative costs?

Answer. Our current budget request does not include requests for additional staff, salary, or funding to handle these procedural and systems changes. The current request assumes the absorption of these costs within our ongoing workload.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

LEGISLATIVE SAVINGS

Question. The fiscal year 1988 budget request for the Railroad Retirement Board assumes a number of legislative changes.

How much would the Board need to add to its budget request if no legislative savings are assumed?

Answer. An additional $92 million in appropriation authority is needed to fully fund vested dual benefits under current law. Also, a total of $14,601,000 would be needed for administration of the railroad unemployment and sickness insurance benefit program, rather than the $9,010,000 proposed in the President's budget, should the railroad unemployment insurance program remain with the Railroad Retirement Board.

UNEMPLOYMENT INSURANCE - FTE's

Question. I notice you are proposing a cut of 135 FTE's in the unemployment insurance program.

Why do you propose cutting so many FTE's?

Answer. The Administration's proposed cut of 135 full-time equivalent employees (FTE's) is based primarily on the Administration's proposal to transfer the unemployment insurance program to the States.

Question. How will such a cut be absorbed?

Answer. A cut of this magnitude cannot be absorbed. In order to reduce our staffing level by 135 full-time equivalent employees, the agency would necessarily have to undergo a major reduction-in-force.

LIMITATION ON ADMINISTRATION - RETIREMENT

Question. You propose cutting the limitation on administration retirement account $2,367,000 below last year's appropriated level.

How will this cut be absorbed?

Answer. The Administration's proposed cut would be absorbed by reducing administrative expenses throughout the agency.

Question. Where will the cuts be made?

Answer. The cuts would be made in overtime; travel; communications, utilities and rent; printing and reproduction; contracts; supplies; and, equipment.

DUAL BENEFITS

Question. Your budget request assumes a legislative proposal that would require the rail sector to finance 25 percent of the cost of paying dual benefits ($92 million).

What impact will this legislative proposal have on the rail sector?

Answer. An increase in rail sector tier II payroll taxes (estimated at 1.1 percent for 1988 and 0.8 percent for the next several years) would be needed to finance 25 percent of the cost of vested dual benefits.

Question. If this legislation is not passed by Congress and signed into law by the President by the end of the fiscal year, can the Railroad Retirement Board sustain a $92 million cut in dual benefits?

Answer. Should this legislation not be enacted, the beneficiaries will sustain the $92 million cut. To fully fund vested dual benefits in fiscal year 1988, a total of $368 million is needed. If this amount is not available, current law requires that individual vested dual benefit payments be reduced on a pro rata basis to stay within the total funds available.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

BIENNIAL BUDGET CYCLE

Question. Calls for budget reform are increasingly heard as budget deadlines are too often missed, important budget decisions are delayed, appropriation bills and other direct spending legislation are held up in committee, and omnibus spending bills take the place of timely and orderly consideration of individual bills. One procedural reform that is being considered is the 2-year budget cycle where budget and appropriations matters would be considered in the first year, and authorizations and oversight would be undertaken in the second year.

Would your department/agency favor a biennial budget process?

Answer. Yes. We believe that a biennial budget cycle would make the budget formulation and execution process more efficient and effective.

Question. What benefits would your agency achieve in a 2-year appropriation cycle?

Answer. We believe that a 2-year appropriation cycle would result in more efficient use of administrative funds because it would facilitate long-term planning.

Question. Approximately what proportion of your annual appropriation request would you consider simply repetitious of the previous year's submission?

Answer. We believe that about a third of our annual appropriation request is repetitious of the previous year's submission. Some examples of repetitious expenses are amounts for building rental, postage, and payments to the Treasury for check issuance and electronic funds transfers. While other expenses are relatively stable from year to year, such as amounts for personnel salaries and benefits, we do not consider them to be repetitious because the allocation of resources within the agency can differ from year to year depending on workloads and priorities.

Question. What difficulties can you foresee in preparing and submitting a 2-year budget to the Congress?

Answer. We believe that a 2-year budget cycle may require more reprogramming actions and supplemental appropriations than an annual cycle. Changing conditions, such as unanticipated workloads, could require additional administrative funds or a different allocation of funds within the agency.

Question. If you oppose the biennial budget concept, please give this subcommittee your reasons why.

Answer. We do not oppose the biennial budget concept.

Office of Inspector General

STATEMENT OF WILLIAM J. DOYLE III, INSPECTOR GENERAL

ACCOMPANIED BY JOHN STANFORD, ASSISTANT INSPECTOR GENERAL FOR AUDIT

PREPARED STATEMENT

Senator CHILES. We would like to now hear briefly from the inspector general for the Railroad Retirement Board. We will now consider the budget of the first inspector general of the Railroad Retirement Board. Our next witness is Mr. William J. Doyle.

Mr. Doyle, I understand you are a native of Daytona Beach, and we welcome you to the subcommittee. We ask you again if you will just give us a brief summary of your statement, and we will put the statement in its entirety in the record.

[The statement follows:]

Statement of William J. Doyle III

My name is William J. Doyle III, Inspector General of the Railroad Retirement Board (RRB). Amendments made to the Railroad Retirement Act in 1983 created an Office of Inspector General (OIG) within the RRB subject to the Inspector General Act of 1978. On December 18, 1985, the Senate approved my appointment as the RRB's first statutory Inspector General. I am here today to speak on behalf of my budget request for 1988. The total amount requested by the Administration is $3,800,000 which will support a staff of 86, including 62 in the Office of Audit (OA) and 21 in the Office of Investigations (OI), including adequate clerical support. I am in full accord with and strongly support the Administration's request.

As Inspector General, it is my responsibility to provide independent audit and investigative oversight of agency expenditures of approximately $6.6 billion.

The RRB administers a very complex and comprehensive series of interlocking benefit programs for the nation's railroad workers and their families. Those who are familiar with both activities believe that the RRB programs are more complex than those administered by the Social Security Administration.

Under the Railroad Retirement Act, the RRB paid approximately $6.3 billion in retirement, survivor and disability benefits in fiscal year 1986. The calculation of these benefits is based on a complex formula that combines social security, industrial pension and special federally-funded components. These benefits come from four trust funds that are funded by five sources of revenue. In addition, the RRB administers certain aspects of the Medicare program under the Social Security Act for the Health Care Financing Administration.

Under the Railroad Unemployment Insurance Act, the RRB paid approximately $186 million to unemployed and sick railroad workers in fiscal year 1986. The RRB also administered $8 million in employee protection payments under the Regional Rail Reorganization Act of 1973.

With my present staff of 25, average dollar oversight equates to $264,000,000 per staff member. Increasing my staff to the requested 86 would reduce this responsibility to about $77,000,000 per staff member which still exceeds any other OIG dollar oversight with the exception of the Department of Health and Human Services (HHS). A comparative analysis with other Offices of Inspectors General is provided below.

	Agency budget (billions $)	OIG positions	Oversight responsibility (millions $)
Other OIGs 1/			
High	26.6	372	71.5
Average	13.8	339	40.7
Low	1.8	206	8.7
Railroad Retirement Board			
Current	6.6	25	264.0
Requested	6.6	86	76.7

1/ Includes all statutory Offices of Inspectors General except RRB, HHS and the Department of Defense (DOD). DOD was excluded because the Defense Contract Audit Agency (DCAA) and various military audit/investigative offices share oversight responsibility with the OIG.

The mandated oversight functions of the Office of the Inspector General will be conducted through two offices -- the Office of Audit and the Office of Investigations.

Due to the importance of paying benefits accurately and in a timely fashion, fifty percent of OA's resources will be directed in 1988 to reviewing activities of the RRB that impact on the accuracy and timeliness of payments to Railroad beneficiaries under RRB programs. Another 16 percent will be directed toward trust fund integrity. Some of these latter audits will be conducted in cooperation with the Inspectors General at Treasury and HHS. In January of this year my office issued a report which showed, through recalculated interest and other adjustments, a recovery of over $150,000,000 was credited to the Railroad Retirement Account.

Efforts will also be directed toward the data processing systems upon which the RRB so heavily depends. Recently, the RRB has implemented an Administrative Management Information System. This system handles agency payroll and personnel systems. In 1988, we will do a post-implementation review of this system.

In February, we issued a report on the Retirement Claims Processing System, a massive computerization of the RRB's retirement claims paying process. This system, which was originally budgeted at $15 million, is now projected to cost over $27 million. Our report identified, among other things, time and money slippages and presented alternative courses of action to the RRB, one of which was to reassess its need for such a degree of automation.

During fiscal year 1988, the OA expects to expend about 20 percent of its resources reviewing the internal controls applicable to RRB data processing systems.

Finally, the OA has recently completed its first audit universe. This universe identifies in excess of 100 significant audit assignments, many of which are recurring in nature. Under current staffing of 10 auditors, the OA would do well to complete 8 to 10 of these assignments each year. The audit universe will be updated annually and expanded as key supervisory personnel are brought on board to direct the audits into key functional areas. The allocation of audit resources, as described above, is based in part on the audit universe.

The OI focuses on benefit program frauds relating to individuals receiving sickness, unemployment, disability, medicare or retirement benefits illegally and is continually seeking new and innovative ways of promoting economy, efficiency and effectiveness in the RRB programs.

When I took office, the RRB had only one criminal investigator. Because of the lack of staff, literally hundreds of retirement, sickness, unemployment and student beneficiary cases were lost due to problems with the statute of limitations. The number of investigators has now increased to 5. This present staff allows us to investigate approximately one-half of the 200 open criminal fraud cases.

In fiscal year 1988, the case load is expected to increase to over 1,000 open investigative matters. The highest priority will be to identify and investigate fraud and abuse in the retirement, disability and health care programs. Fraud will be identified through conventional means -- allegations made by third parties and RRB program evaluations -- and through sophisticated computer matching techniques. While the amount of these cases involves several million dollars, the real savings will be in the improvement of internal controls and in the identification of systemic weaknesses which make the programs vulnerable to fraud. Successful criminal prosecutions will have a deterrent effect on criminal abuse of the RRB programs. More importantly, railroad beneficiaries will enjoy an improvement in the delivery of their services through increased program integrity.

Time and resources permitting, the OI will also perform high-risk profiling and attempt to identify individuals who may be exploiting weaknesses in the RRB systems. Most of the OI special agents will work out of the headquarters office in Chicago. However, we anticipate placing agents in existing RRB field offices to improve service, provide liaison with U.S. Attorneys and reduce travel cost.

In conclusion, the current staffing of the OIG limits our ability to carry out the mandate of the Congress to provide comprehensive oversight of the expenditures of the RRB. With the requested staff increases, the OA will become a credible presence in reviewing the timeliness and accuracy of benefit payments, the integrity of the management of the trust funds, the Railroad's contributions to these funds, and the adequacy of internal controls in the many automated data processing systems operated by the RRB. Also, with additional resources, the OI will be able to shift from a reactive to a proactive stance; that is, it will be able to aggressively seek out fraud and abuse in the retirement, disability and health care programs.

Mr. Chairman, this concludes my formal remarks.

COMPARISON OF 1987 ENACTED, 1987 PROPOSED ADJUSTMENTS AND 1988 PRESIDENT'S BUDGET

Railroad Retirement Account and Railroad Unemployment Insurance Account

OFFICE OF INSPECTOR GENERAL

					1988 Compared to	
	1987 Budgeted	1987 Proposed Adjustments	1987 Revised	1988 Request	1987 Corrected	1987 Revised
Obligations	(1,267,000)	(+22,000)	(1,289,000)	(3,800,000)	(+2,533,000)	(+2,511,000)
Outlays	(1,260,000)	(+22,000)	(1,282,000)	(3,759,000)	(+2,499,000)	(+2,477,000)
FTE	25		25	86	+ 61	+ 61

INTRODUCTION OF ASSOCIATE

Mr. DOYLE. Thank you, Mr. Chairman.

I would like to introduce the new Assistant Inspector General for Audit, whose name is John Stanford. He recently was the Deputy Assistant Inspector General for Social Security audits at HHS, so he brings a great deal of expertise to the Board.

SUMMARY REMARKS

I appreciate the opportunity to be here today. I would like to make a few remarks on my testimony, which I would like to submit for the record.

I strongly support the administration's budget for the Office of the Inspector General for fiscal year 1988. The Railroad Retirement Board administers many complex programs, as was previously stated, and we disburse approximately $6.5 billion annually to nearly 1 million railroad beneficiaries.

We feel that the programs and funds at the Railroad Retirement Board are vulnerable to fraud, waste, and abuse. When I first came to the Board, I discussed with the Board members that I was there to work with them to improve the economy and efficiency of the Board's programs and thereby protect the integrity of the funds and the Board's beneficiaries, the rail beneficiaries.

Our budget was based on a review of the Board's programs for their vulnerability to fraud, waste, and abuse. We identified over 125 audits which need to be conducted, many of those which would be recurring in nature, not one-time audits. At the same time, we opened nearly 200 criminal fraud investigations.

AUDIT FINDINGS

In the past year, we have offered numerous recommendations to the Board, and they have been very receptive to our recommendations and have adopted many of them.

We conducted an audit of the Financial Interchange Program, and as a result we returned nearly $150 million to the trust fund.

In an audit of the Dual Benefit Program, we returned $1 million.

As a result of a review of the retirement claims processing system [RCPS] that Mr. Crawford was talking about, we identified that the project already has a projected cost overrun of nearly $12 million and is running nearly 2 years late in its implementation.

The Board has adopted our draft recommendation to cease all work on the RCPS except for the initial logical design phase and has set up a management group of senior executives at the Railroad Retirement Board to look into the future viability of the RCPS and how the Board members want this system to look in the future.

I believe that a lack of strong oversight at the Board allows its programs to be vulnerable. As I said previously, I think the Board has been responsive to our recommendations and recognizes that changes need to be made with emphasis on improvements in some of the programs to improve efficiency and economy in our operations.

BUDGET REQUEST

So I ask your support today for the full 86 full-time permanent positions which we feel is the minimum required to improve the integrity of the trust funds and to reduce their vulnerability to fraud, waste, and abuse. We need the resources to carry out our oversight responsibilities.

I think we have shown in our first year that the Office of Inspector General is credible and effective. With a budget of $1.2 million, we have returned over $150 million to the trust funds and opened 200 criminal fraud investigations. The ultimate winners, I believe, of effectively run programs are the railroad beneficiaries. I think they deserve to be paid accurate benefits in a timely fashion. This is the mission of the Railroad Retirement Board.

I have no doubt that the Office of Inspector General, the Board members, and the staff at the Board can work toward accomplishing this objective with the strong support of this committee.

Senator CHILES. The money that you have requested in your budget will give you sufficient funds to carry out your function in audit and inspection?

Mr. DOYLE. We feel it would meet our minimum needs, Mr. Chairman.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. All right. I may have some written questions I will submit, but that is all that I have for the record. Thank you very much.

Mr. DOYLE. Thank you very much for the opportunity to appear before this committee today.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

INSPECTOR GENERAL - BUDGET REQUEST

Question. The Office of the Inspector General was funded for the first time in the fiscal year 1987 appropriation bill. At that time, an appropriation of $1,267,000 and 25 full time equivalent (FTE) positions were funded.

This year the budget request is for $3,800,000 and 86 full time equivalent positions. That represents a threefold increase in both funds and staff.

Mr. Doyle, I understand that the oversight functions of the Inspector General include auditing and investigating the expenditures of the Railroad Retirement Board. What do you plan to audit and investigate?

Answer. In preparing our annual audit workplan, we compiled an audit universe which identified 146 potential audits. In developing this universe, we evaluated the mission statements of each component unit within the Railroad Retirement Board (RRB) and identified audits to examine the economy, efficiency, and/or effectiveness of each component. We also identified various laws, regulations, and Office of Management and Budget requirements applicable to the RRB and identified potential audits to determine the degree of compliance with these requirements. While some are one-time audits, most are recurring in nature. In addition, most of these audits have never been performed at the RRB.

While the audit universe includes 146 audits, it should not be considered exhaustive because it represents the first attempt by the Office of Inspector General to compile such an inventory. Each year, the universe will be expanded and refined through the identification of new areas of endeavor and the combination and/or restructuring of existing areas. Also, as new compliance requirements are placed upon the RRB, they will be added to the universe.

We plan to place 62 of the 86 positions requested in the Office of Audit. Given a staff of 62, we estimate that we can complete at least 24 audits a year. Since we cannot perform all of the audits included in the audit universe in 1 year, we plan to place primary emphasis on the following three areas which will necessitate numerous individual audits to be undertaken.

- Timeliness and Accuracy of Benefit Payments

  We believe that the primary mission of the RRB is to pay benefits in an accurate and timely manner. Internal RRB reports indicate a significant backlog in retirement and survivor claims to be processed, very slow processing time goals, and high case error rates.

- Integrity of the Trust Funds

  The RRB is responsible for collecting taxes in support of the unemployment and sickness insurance programs. Several other Federal departments and agencies, such as the Treasury, the Internal Revenue Service, and the Federal Reserve system, are involved in various aspects of the collection of taxes, the investment of trust fund money, and the payment of benefits.

  Billions of dollars in revenue are collected each year. However, with the possible exception of some limited Internal Revenue Service audits, the accuracy and timeliness of payments by the railroads have not been audited. Also, the reconciliation of the RRB records to the Treasury records has not been audited. Finally, the railroads submit reports annually on individual earnings to be recorded by the RRB for use in the future computation of benefit payments. These earnings reports have likewise not been audited.

  We have already begun working with the Inspector General of the Treasury to identify the flow of tax revenues through the Federal Reserve and Internal Revenue systems to the trust fund accounts maintained by the Treasury. Working with or through the Inspector General of the Treasury, we also plan to review the investment and disbursement of trust fund money. Our purpose is to determine whether the RRB is given proper and timely credit for revenue collected and invested and is charged with only amounts authorized by the RRB for disbursement. Recommendations will be focused on developing adequate ongoing reconciliation procedures between the RRB and other Federal departments and agencies as appropriate. We also plan to audit a number of railroads to determine the accuracy and timeliness of tax payments and earnings reports submitted.

- Adequacy of Internal Controls in Data Processing Systems

  The RRB relies heavily on data processing systems for internal administration and claims processing. The retirement claims processing system (RCPS) is under development to improve and/or expand computerized claims processing. We plan to continue monitoring of the RCPS, primarily in the areas of contractor staffing (key staff, staff turnover, and expertise); cost; and, timely delivery of products. We also plan to continue working with the contractor to install an audit subsystem in the RCPS. In addition to continually monitoring the RCPS, we plan to perform a number of internal control reviews on other computer systems.

To fulfill our investigative function, we plan to assign 21 of the 86 positions requested to the Office of Investigation, 18 of whom will be field investigators. Our highest priority will be to identify and investigate fraud and abuse in the retirement, disability, and health care programs. This action will provide a deterrent to fraud through successful criminal and civil prosecutions of individuals and organizations that violate the laws. We will also focus on:

- Identifying and correcting systemic flaws in the RRB programs, especially in the retirement and disability programs.
- Increasing the number of Management Alert Reports that result in management, regulatory, and/or legislative actions to eliminate opportunities for fraud, waste, and abuse.
- Improving the cost efficiency of RRB programs by increasing fines, savings, recoveries, restitutions, and settlements through judicial and administrative proceedings.
- Placing major emphasis on the use of computer applications to identify fraud, waste, and abuse.

Initially, with the appointment of the Inspector General in January 1986, over 700 cases of suspected unemployment/sickness insurance program fraud were identified. We opened 282 criminal cases based on their prosecutive merit, declined or closed 88 cases administratively because of lack of prosecutive merit, and returned the remainder to program officials. In addition, literally hundreds of student benefit cases were reviewed but not opened because of lack of staff to address them. We currently have about 200 criminal fraud cases amounting to over $1 million. Half of these cases are currently being investigated by three special agents. The remaining cases are not being investigated at this time due to a lack of resources. Based on the additional requested staffing, we expect to increase our caseload to between 1,000 and 1,300 cases. Unemployment/sickness insurance wage matches will generate an estimated 600 new fraud cases. Disability wage matches in Pennsylvania and Tennessee will identify as many as 500 additional cases for investigation. The average caseload for each investigator may increase to about 67 cases.

All of our investigators are currently located in Chicago. However, the caseload is distributed nationwide, with certain areas of high concentration. To address this problem, we plan to open offices in areas of high concentration, utilizing existing RRB space to the extent possible. These offices will permit us to establish necessary liaison with prosecutorial and law enforcement authorities in selected areas of the country. They will also provide for more cost-efficient and effective operations through reduced travel and closer case supervision.

In summary, the additional resources requested will be used by the Office of Inspector General to significantly increase its audit and investigative oversight of the programs, activities, and functions of the RRB. The real beneficiaries of this increased oversight will be the railroad workers and their families that the RRB was established to serve. They will benefit directly through improved timeliness and accuracy in the processing of claims. They will also benefit through improvements in the integrity of the trust funds upon which they must depend for future payments. The integrity of the trust funds will be improved through increased accountability on the part of all Federal departments and agencies responsible for the collection, investment, and disbursement of such funds and through the identification, investigation, and prosecution of those who defraud these funds.

INSPECTOR GENERAL FUNCTIONS

Question. What in-house functions will your office take over?

Answer. With Board approval, we plan to take over three agency units which duplicate, for the most part, audit functions of the Office of Inspector General. Following the passage of the Railroad Retirement Solvency Act of 1983, which established the Office of Inspector General, the Railroad Retirement Board established a quality assurance function which reports to the Executive Director. This unit's activities, which currently are focused on the retirement program, include conducting studies; analyzing, evaluating, and reporting findings; and, starting assurance monitoring and review functions. In addition to this office, the Bureau of Retirement Claims has a section that is responsible for conducting studies/reviews to evaluate the effectiveness/efficiency of bureau programs. The Bureau of Unemployment and Sickness Insurance also has a program integrity/quality review section. Since one of the major goals of the Office of Audit is to review the accuracy and timeliness of claims processing, we expect to take over these special review functions.

Question. What additional functions are you proposing to initiate?

Answer. We do not propose to initiate any new functions based on our current budget request.

ADDITIONAL INSPECTOR GENERAL STAFF

Question. Where will you obtain your additional staff? Will you transfer currently employed staff from the unemployment insurance or retirement administrative areas?

Answer. The majority of the additional staff will be acquired through new hires. However, we plan to accept transfer of any of the 27 individuals assigned to the 3 quality assurance units described above as of January 31, 1987. None of these individuals are auditors or investigators. However, they do have program expertise that will be useful in our audits of the timeliness and accuracy of claims processing, a major focus of our 1987/88 audit program.

Since the individuals involved are not auditors or investigators, their main contribution to the mission of the Office of Inspector General will be the expertise in quality assurance that they bring with them. It is for this reason that we feel that the establishment of a cut-off date of January 31, 1987 is very important. Should the RRB elect to transfer some of these individuals to other functions prior to the transfer, we would expect to receive vacancies rather than replacements.

COMMISSION ON EDUCATION OF THE DEAF

STATEMENT OF PATRICIA L. JOHANSON, STAFF DIRECTOR

COMMITTEE PROCEDURE

Senator CHILES. I have noticed we are running a little short of time, so we are trying to speed things up a bit. I would like to ask the next three witnesses to come to the table and will ask you each questions in turn.

Our next panel will consist of representatives of the following agencies: the Commission on Education of the Deaf; the National Commission on Libraries and Information Science; the National Council on the Handicapped; and the U.S. Institute of Peace.

We would like to have the principal witnesses from each of these agencies come to the table, and Ms. Pat Johanson, the Commission on Education of the Deaf, will be our first witness.

Senator Harkin will be chairing the committee right now.

Senator HARKIN [presiding]. As Chairman Chiles has said, we are running a little short of time. We have another panel that has to come onboard after this one.

I am going to ask each of the principal witnesses from each of the agencies to make their statements. I am going to ask you, if we have some kind of a time clock or something, if each of you would take no more than 5 minutes in presenting your testimony. Obviously, all of your written testimony will be made part of the record in its entirety.

I would like you to take no more than 5 minutes to highlight your testimony to make the points that you want to make, and then we will have a discussion period not to exceed 5 minutes beyond that for each witness.

Our first witness will be Ms. Pat Johanson, the staff director of the Commission on Education of the Deaf. Ms. Johanson has come to the Commission first from a position in the Senate, and we are glad to have her back with us today. The Commission on Education of the Deaf was authorized in the last Congress for an 18-month period through the efforts of this subcommittee's ranking minority member, Senator Weicker.

The Commission received a one-time appropriation of $750,000 in fiscal year 1987 to produce a series of reports on the status and needs of deaf education in the United States. The Commission will be reporting to the Congress in 11 months, and we look forward to receiving these findings.

PREPARED STATEMENT

Ms. Johanson, as I said, your entire statement will be included in the record. Please highlight your testimony for us.

[The statement follows:]

STATEMENT OF PATRICIA L. JOHANSON

Mr. Chairman and distinguished members of the Subcommittee, I appreciate the opportunity to appear before you on behalf of the Commission on Education of the Deaf, to report on our activity.

The Commission was established by Public Law 99-371, the Education of the Deaf Act of 1986. This law was written and sponsored by the distinguished Senator Lowell Weicker, a member of this subcommittee and former Chairperson of the Senate Subcommittee on the Handicapped.

This legislation arose out of a hearing for oversight purposes of Gallaudet University and the National Technical Institute for the Deaf. In response to the hearing and 2 General Accounting Office studies requested by the Subcommittee on the Handicapped on the costs and operations of Gallaudet University, the Model Secondary School for the Deaf, Kendall Demonstration Elementary School, and the National Technical Institute for the Deaf, S. 1874, the "Education of the Deaf Act of 1985" was introduced on November 21, 1985. On February 25, 1986, the Subcommittee on the Handicapped reported S. 1874 without amendment. On March 19, 1986 the Full Committee unanimously moved to order the bill, as amended, reported to the Senate.

The House Subcommittee on Select Education, chaired by Representative Pat Williams, held a hearing on the bill on May 8, 1986. He introduced an amended bill with amendments in the House, and it passed on June 26, 1986. It was enacted into law on August 4, 1986 upon signature by President Reagan.

Congress and the President have charged the Commission with making a study of the quality of educational programs furnished to persons who are deaf at all educational levels, and with making recommendations, including specific proposals for legislation as the Commission deems advisable.

The Commission is to submit to the President and to the Congress, a final report of its study and investigation together with such recommendations, including specific proposals for legislation, as the Commission deems advisable. The report is due on February 4, 1988.

The specific topics the Commission is to study are:

(A) the degree to which appropriate postsecondary, adult, and continuing educational opportunities are available to deaf individuals;

(B) the advisability of expanding the number of federally supported postsecondary regional educational programs which serve the deaf;

(C) the training and technical assistance needs of infant and early childhood education programs and elementary, secondary, postsecondary, adult, and continuing education programs which serve the deaf;

(D) the degree to which appropriate elementary and secondary educational opportunities are available to deaf students including (i) the effects of part B of the Education of the Handicapped Act on infant and early childhood education programs and elementary and secondary educational programs for the deaf and (ii) the role played by the model secondary school for the deaf and the Kendall Demonstration Elementary School;

(E) the role and impact of research, development, dissemination, and outreach activities conducted by Gallaudet University and the National Technical Institute for the Deaf in education of the deaf;

(F) the degree to which the purposes of part F of the Education of the Handicapped Act (relating to instructional media for the handicapped) are being carried out;

(G) the problems associated with illiteracy among deaf individuals;

(H) any other issues which the Commission determines will improve the quality of infant and early education programs and elementary, secondary, postsecondary, adult, and continuing education provided to the deaf; and

(I) any other recommendations to improve quality or increase cost effectiveness of providing the education of the deaf.

The Commission has been given a one time appropriation of $750,000. A detailed tentative budget showing our apportionments for FY87 and FY88 is given at the end of this statement.

The legislation stated 12 members were to be appointed by the Senate, the House of Representatives, the President, and the Comptroller General of the U.S. All 12 have been selected, and they are: Chairperson Frank G. Bowe of New York, Dr. Gary Austin of Illinois, Gertrude Galloway of Maryland, William Gainer of Virginia, Peter Greenough of New York, Patty Hughes of Washington, Dr. William P. Johnson of Illinois, Dr. Henry Klopping of California, Nanette Fabray MacDougall of California, David J. Nelson of Washington, D. C., Gary W. Olsen of Indiana, and Sharon J. Speck of Ohio.

FISCAL YEAR 1987 ACTIVITIES

Dr. Frank G. Bowe was appointed as Chairperson of the Commission on November 8, 1986. He commenced with hiring of staff, obtaining Commission funds from the Office of Management and Budget, and establishing the Commission offices. The first meeting of the Commission took place on January 27-28, 1987 at which time members were sworn-in. At this meeting, the Commission Statement of Organization and Procedures was adopted, as well as Authorities and Delegations, and a Compensation Policy. The Staff Director and Staff Counsel appointed by the Chairperson were confirmed with approval of the Commission. The Commission discussed its goals and objectives, and formed 2 standing committees; one to focus on Pre-college education, the other on postsecondary and adult education.

A work and budget plan has been developed and tentatively approved by the Executive Committee. It is pending approval by the full Commission later this month.

The work plan provides two ways to obtain public input; one through Federal Register notices asking for written input; and another, through public meetings where interested person and organizations may submit oral comments/statements. The Commission intends to publish two notices in the Federal Register, and send to a large number of individuals, associations, organizations, and programs which have an interest in these issues. The first notice will invite comment on specific issues included in the legislation; the second will list the draft recommendations of the Commission, and invite comment on them.

Five public meetings will be held, the first of which is this month. This and 2 other meetings will allow people to give their input to the Commission regarding the topics in the legislation and their perception of the needs in education of deaf persons. In the fall, 2 other large public meetings will be held, inviting comment on the draft recommendations which the Commission will have developed by that time.

The report of the Commission will be submitted to Congress and to the President on February 4, 1988. The Commission will remain available to respond to any Congressional inquiries until May 4, 1988.

Biography of Patricia L. Johanson

Pat Johanson, Staff Director for the Commission on Education of the Deaf, grew up in Oregon, and attended Brigham Young University in Utah, earning a B. S. in General Psychology and a M.A. in Public Administration. She is currently working on a Ph.D. in Public Administration at the George Washington University. Pat recently completed a 2 year Presidential Management Internship, during which she spent 6 months working for U. S. Senator Orrin G. Hatch. She worked with the Senate Committee on Labor and Human Resources, where she was involved with legislation affecting persons with disabilities.

COMMISSION ON EDUCATION OF THE DEAF BUDGET PLAN

EXECUTIVE SUMMARY

	Total	fy87	fy88 O-J	fy88 F-A
MEMBER COMPENSATION AND BENEFITS	97,700	81,000	16,700	0
STAFF COMPENSATION AND BENEFITS	312,400	175,800	101,300	35,300
TRAVEL	101,200	80,600	20,600	0
COMMUNICATIONS	22,100	12,000	6,100	4,000
PRINTING	29,900	7,000	19,900	3,000
MISCELLANEOUS SUPPORT FOR MEETINGS	77,000	64,200	12,800	0
SUPPLIES/PUBLICATIONS	4,000	3,000	1,000	0
EQUIPMENT/FURNISHINGS	20,800	20,800	0	0
STUDIES	14,800	12,100	2,700	0
SPACE AND GSA SUPPORT	70,100	43,000	14,200	12,900
OTHER	0	0	0	0
TOTAL	750,000	499,500	195,300	55,200

SUMMARY STATEMENT

Ms. JOHANSON. Thank you. It is a privilege for me to have the opportunity to be here with you today. I am particularly pleased to see you here, Senator Harkin, because I know of your personal interest in the education of deaf persons because you have a deaf member in your family, your brother.

We look forward to submitting our report to the Congress. As you said, we received a one-time appropriation of $750,000 for a 21-month period of time. The Commission has been asked to make a study of the quality of education of deaf persons in America. The Commission is to study nine issues which are listed in my written statement.

We had our first meeting about 5 weeks ago on January 26 to 28. At that time, the Commission formed two standing committees, one to focus on the issues affecting precollege programs for deaf persons, the other to focus on the issues affecting postsecondary and adult education.

We have developed work and budget plans which have already been tentatively approved by the executive committee of the Commission. These are summarized in my written statement and will be voted on by the full Commission at its next meeting in 2 weeks.

The work plan, which, as I said, is pending Commission approval, allows for numerous opportunities for public comment. Seven public meetings have been proposed, one of which is in 2 weeks here in Washington, DC. That meeting and four other meetings will allow people to come and participate and tell the Commission what they want it to do, to offer facts and information, and to identify needs that they see in the area of education of persons who are deaf.

In the fall there will be two other large public meetings which will invite comment on draft recommendations which the Commission will have developed by that time.

We will also be publishing two notices of inquiry in the Federal Register. The first one, to be published next month, will invite comments on specific questions related to the topics in the legislation. The second notice, to be published in the fall, will invite comment on our draft recommendation. We are well underway and look forward to presenting our report to you.

Thank you.

Senator HARKIN. Thank you, Ms. Johanson.

Ms. Johanson, in the five-phase plan that you have submitted to the subcommittee, you have given yourself until the third week in July to develop all the findings for your reports. I am interested in knowing how many professional staff you have working on these reports.

Ms. JOHANSON. We will soon be hiring two full-time analysts to join the Commission if the budget is approved.

Senator HARKIN. How many writers?

Ms. JOHANSON. Two full-time analysts. We already have myself as staff director and an administrative officer. We are looking for a secretary, we have an educational specialist/interpreter, and a part-time attorney.

Senator HARKIN. Where are you located?

Ms. JOHANSON. Very close to here, in the GSA regional office building at 7th and D Streets, Southwest.

Senator HARKIN. So you think that you can have the findings by the third week in July?

Ms. JOHANSON. It will be a lot of work but we are already collecting information, and we have a lot of information on hand. Once analysts are onboard, they will begin to analyze that information for us. The report has two parts: findings and recommendations. The factfinding phase ends early in July; we expect to have a draft of that section by the end of the summer. Draft recommendations will be developed by the end of July, and that section will continue to be worked on until the end of October.

Senator HARKIN. How are you doing on the budgeting of the money that was allotted to you last year? How much have you spent to date?

Ms. JOHANSON. We have spent about $100,000. A lot of that has been spent on equipment, space, and starting things up and salaries. The work plan that the Commission has developed is based on the $750,000 budget. All of us are doing our very best to do the job.

Senator HARKIN. I have no further questions. I just again want to congratulate you on taking over this responsibility. It is something very new, and I am hopeful that we will get some really good information out of your Commission.

I just wondered if there was anything else that you might want to add that might not be in your written testimony, anything else you would like us to take a look at in the next few weeks prior to our deliberations on the appropriation for next year?

Ms. JOHANSON. We are doing the work that we have been asked to do. I know as the chairman for the Subcommittee on the Handicapped, that this report will be directed to you next year, and we will look forward to your support at that time.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. I look forward to that, also. Thank you.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

Question. Given the scope and nature of the issues the Commission has been directed to work on, will you be able to submit your report to Congress within the 18 months you have been limited to under law?

Answer. Yes; we expect to be able to do so. Our work and budget plans have been designed to allow us to complete this report on time.

Question. While the Commission was authorized at $1 million, Congress appropriated $750,000. Will these funds be sufficient to complete your report?

Answer. As stated above, our work and budget plans are based on an 18-month timeframe and $750,000 budget. While the amount is limited, we are working within it.

Question. Do you have any restrictions on staffing? Will your anticipated staffing levels be adequate?

Answer. Our enacting legislation does not place restrictions on staffing. After consulting with the Commission concerning the staffing plans and needs, OMB established a ceiling of five FTE for fiscal year 1987 and four FTE for fiscal year 1988, based on the requirements to meet our mandate. Current staff are: staff director, two program analysts, administrative officer, secretary, and clerk. We also have a part-time attorney on detail from the U.S. Department of Justice and a part-time program analyst on a consultant basis from June through August. We are also receiving considerable assistance from other agencies, including employees of GAO. We are continuing efforts to obtain assistance without reimbursement. At present, our staffing levels are adequate.

Question. Have all of the Commission members been appointed?

Answer. Yes; the last member was appointed in January 1987. However, one member, Nanette Fabray MacDougall has resigned from the Commission, and there is a vacancy now. The Speaker of the House of Representatives, who appointed her, has been informed of the vacancy.

Question. Have you begun work on your study?

Answer. Yes; we began in December and are making good progress.

Question. Please briefly describe the makeup and responsibilities of the Commission's Board of Trustees.

Answer. The Commission is made up of 12 persons, 4 appointed by the U.S. Senate, 4 by the House of Representatives, 3 by the President, and 1 by the Comptroller General. Members are: Frank G. Bowe, New York, Chairperson; Gary Austin, Illinois; Gertrude Galloway, Maryland; William Gainer, Virginia; Peter Greenough, New York; Patty Hughes, Washington; William P. Johnson, Illinois; Henry Klopping, California; David J. Nelson, Washington, DC; Gary W. Olsen, Indiana; and Sharon J. Speck, Ohio. The 12th member, Nanette Fabray MacDougall, recently resigned and there is a vacancy on the Commission.

Question. How far along is the Commission toward the development of its report?

Answer. The work is on schedule. As indicated earlier, if we find that the February deadline cannot be met, we will let you know and will make a formal request to the appropriate committee.

Question. How much of the Commission's budget has been spent to date?

Answer. Approximately $180,000 has been spent as of May 1, 1987.

Question. In the five phase plan you have submitted to the subcommittee, you have given yourself until the third week in July to develop all the findings for the report. How many professional staff will you have working on this report?

Answer. The Commission currently has 4.3 professional staff available to work on the report: the staff director, 2.3 program analysts, and the staff counsel. We will also receive considerable assistance from other agencies, including employees of GAO on a no-cost basis. While tight, we believe the staff resources will suffice.

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

STATEMENT OF KENNETH Y. TOMLINSON, CHAIRMAN

ACCOMPANIED BY:
  BESSIE B. MOORE, VICE CHAIRMAN
  VIVIAN J. ARTERBERY, EXECUTIVE DIRECTOR
  MARY ALICE HEDGE RESZETAR, ASSOCIATE DIRECTOR

OPENING REMARKS

Senator HARKIN. Our next witness is Mr. Ken Tomlinson, new Chairman of the National Commission on Libraries and Information Science. I understand this is your first appearance before this committee. Do I understand that you are accompanied by the Vice Chairman, Bessie Moore?

Mr. TOMLINSON. Yes.

Senator HARKIN. Ms. Moore, are you the one that Senator Bumpers said to say hello to?

Ms. MOORE. Thank you very much.

Senator HARKIN. He, obviously, could not be here today. I am not sure where he is, but he could not be here. He did, however, send a little note that said to say hello to you.

Ms. MOORE. I had the pleasure of working with him when he was Governor.

Senator HARKIN. I just want to make a note that I carried out his command. He does outrank me on this committee. We are delighted to have you here.

The committee is also pleased that the administration for the second year in the row has requested funds. In fact, the administration is requesting a 20-percent increase.

The primary purpose of the Commission is to advise the President on Federal aid to libraries. The President has proposed terminating funding for the library assistance programs for the Library Services and Construction Act and the Higher Education Act. Well, that makes me wonder what advice has been given to the President, Mr. Tomlinson.

An increase for the Commission to work on its many laudible goals indicates an absurd contradition in administration policy. I am hopeful that our witnesses can better explain it to us as to why the Commission should get an increase if, in fact, they want to zero out all of the funding for the libraries.

Your statements, as I said, will be made a part of the record. Please go ahead and take your allotted 5 minutes and highlight the testimony, and you can respond to the question which I just asked now, or I will ask it again when you finish.

[The statements follow:]

STATEMENT OF KENNETH Y. TOMLINSON

Mr. Chairman and members of the subcommittee, I am Ken Tomlinson, Chairman of the National Commission on Libraries and Information Science. I am pleased to present to you our proposed fiscal year 1988 budget, which totals $791,000. Of this amount, $60,000 is specifically included to cover the additional costs of the new Federal Employees' Retirement System; however, any portion not required for those extra costs will be returned to the Treasury. This budget represents our best estimate of the resources needed to maintain current programs and to launch the Campaign for Libraries, to begin program initiatives for the handicapped and disabled, and to address issues related to the present and future impact of information technology.

I am very proud to be associated with an agency that helps libraries meet citizen information needs by advising the highest levels of our government on national issues, plans, and policies. Whether you are talking about the mountains of Appalachia where I grew up or the suburbs of New York where I now live, the interest of the nation's heartland or the crowded neighborhoods of major cities, libraries play a critical role in providing information to the American people. Libraries are a cornerstone of American democracy, indeed, someone has said, "Tell me about a nation's libraries and I will give you a reading on its status as a civilized society."

Congress showed exceptional foresight back in 1970 by establishing NCLIS as a permanent, independent agency with instructions to pay special attention to the impact of new technologies and the information needs of all Americans, but especially the rural, elderly, and economically, socially and culturally deprived citizens. If you look at the changes that have had the greatest impact on our society in the last decade and a half, they are right in line with the Commission's major responsibilities. The dramatic developments in computers, optical discs and other information technologies; the population shift to rural regions and the "graying" of America; the educational needs of our growing minority populations; the staggering consequences of illiteracy; the issues surrounding privatization of government information--all these are areas where NCLIS has exercised leadership on the cutting edge. In a few minutes our Vice Chairman will tell you more about some of the Commission's dramatic accomplishments in these areas.

In order to exercise the leadership the library/information community has come to expect from us, and to advise Congress and the Administration in accordance with our mandate, we work hard to keep attuned to the current and future information needs of the nation. The Commission is on the verge of some extraordinarily exciting activities.

Our immediate concern, of course, is the budget we need to get our work done in Fiscal Year 1988. The Commission believes that the three principal topics we should address next year are 1) access to information, 2) information to meet changing demands, and 3) information resources to improve national productivity. To address these topics we have defined a plan of action for FY 1988 encompassing four major program areas: literacy; democracy; productivity; and policy planning, and advice.

A new program we're very excited about in the Literacy area is our National Library Card Campaign, where we will work with the American Library Association and the Department of Education to insure that every school age child in America is encouraged to have--and use--a library card. This idea originated with Secretary of Education William Bennett and has been endorsed enthusiastically by the library community. The Commission believes that reading and critical thinking are part of the necessary information skills that all citizens should acquire; we often refer to this as the basic "Fourth R": Research. Therefore, we will continue to work with the Department of Education and the private sector to identify and recognize outstanding information skills development programs. We will also work with appropriate agencies and groups to promote the use of volunteers, especially older Americans, in literacy programs across the nation.

Our program area of Democracy focuses on the distribution of knowledge for a better informed population, including finding ways to serve the library and information needs of special groups within our population. Today legislators and local government officials are faced with a greater degree of fiscal responsibility and tougher financial decisions than ever before. Recent research in our field shows that local government officials need access to more and better information in order to govern effectively in today's complex society. Responsible citizens also need to be well informed on issues, candidates, and possible courses of action in order to make the decisions that determine the future of their communities. One of our priority FY 88 programs will determine the best means for developing partnerships between libraries and local governments for improving access to the information needed by local officials as they govern, and by all citizens as they participate in the governance process.

Under this program area, we will also continue to encourage the inclusion of libraries and recognition of the importance of information services in the celebration of the Bicentennial of the Constitution. We will focus on the need to preserve reliably government records in electronic format, working in partnership with the National Archives and Records Administration and the General Services Administration. We will also work with the Library of Congress, the Council of Library Resources and others to promote interest and support for the preservation of brittle books and records that transmit our cultural heritage.

Our program area of Productivity focuses on the crucial role information plays in making our economy and our citizens more productive. We will continue our work with key representatives of the public and private sectors to assess the impact of information technology on society. We will disseminate widely the results of our trilateral meetings, held with the British Library in the U.K. and the Institute for Research on Public Policy in Canada, on the role of information in the economy. In partnerships with other agencies and organizations, we will work to develop strategies to meet the information needs of handicapped, elderly, rural and minority citizens.

Our final program area of Policy Planning and Advice expresses our mandate to advise Congress and the Executive Branch on national library and information policy issues. We will continue to offer Congress and federal agencies expert advice on library and information related topics, to work to improve the dissemination of government information, and to advise the Department of State on U.S. involvement in international library/information activities. We will continue to help the library/information community plan a second national conference on library and information services--also emphasizing the three themes of literacy, productivity, and democracy--which will enable citizens at all levels to become involved in the shaping of future policies.

We think that everything in this list of programs is important; there is nothing we can afford to drop or delay and still do the job you asked us to do.

In closing, I would like to tell you a couple of stories that dramatize the importance of libraries in the lives of two prominent Americans.

Eric Hoffer is an example of a phenomenon made possible by the American system of libraries--the self-educated scholar. "Reading was my only occupation and pastime," Hoffer recalled of his youth. As a young man he headed for California with no formal education but a basketful of books. Later, as an itinerant farm worker, he spent his free time in public libraries--he held library cards from a dozen towns along his route. When he settled down to steady employment as a stevedore, the San Francisco Public Library became the headquarters for his creative efforts. Without our public libraries, this seminal author could not have realized his incredible potential.

Alex Haley's lifelong love of reading combined with open access to libraries and other research institutions enabled him to make a unique contribution to our history and culture. His great scholarship achievement on the Black American heritage entailed 10 years of research in over 50 libraries and archives at the national, state, and local levels. These open and accessible resources enabled Alex to write the quintessential Black Saga in which (in his words), "any individual's past is the essence of the millions." Completed during the year of our Bicentennial, Alex dedicated Roots "as a birthday offering to my country."

It is this tradition we are trying to maintain at the National Commission on Libraries and Information Science.

I want to give each of you today a new "library card" we will use to help launch our National Campaign for Libraries. We urge you to assist our campaign on behalf of children, access to information, and the "Fourth R" in every way possible. Of course, we will be happy to work with you on ways this can happen in your home states.

Mr. Chairman, I appreciate this opportunity to testify on behalf of NCLIS today. I will be happy to answer any questions.

BIOGRAPHY OF KENNETH Y. TOMLINSON

Kenneth Y. Tomlinson was nominated by President Reagan and confirmed by the U.S. Senate as Chairman of the U.S. National Commission on Libraries and Information Science in 1986. He will serve for a five-year term ending July 19, 1991. The National Commission on Libraries and Information Science is a permanent, independent agency that advises Congress and the Executive Branch on national library and information policies and plans.

Born August 3, 1944 in Grayson County, Virginia, Mr. Tomlinson received a B.A. in history from Randolph-Macon College in 1966. He worked as a reporter for the Richmond Times-Dispatch from 1965-68 and then in 1968 joined the staff of the Reader's Digest's Washington Bureau. He was a writer in the Digest's Paris-based European Editorial office, 1977-78, covering Europe, Africa, and the Middle East.

Mr. Tomlinson served as correspondent and senior editor at the Digest until 1982, when he was appointed Director of the Voice of America, the official overseas radio broadcast service of the United States. In 1984 he returned to the Digest as Managing Editor, moving to the position of Executive Editor in 1985.

Mr. Tomlinson is co-author of P.O.W., a history of the American prisoner-of-war experience in Vietnam, and has served on the National Voluntary Service Advisory Commission. He and his wife Rebecca and sons, William, 9, and Lucas, 7, live in Chappaqua, New York.

STATEMENT OF BESSIE B. MOORE

Mr. Chairman and Members of the Subcommittee, my name is Bessie B. Moore and I am the Vice Chairman of the National Commission on Libraries and Information Science. I enjoy the dual distinction of being the oldest member of the Commission and the only Commissioner continuously appointed since P.L. 91-345 was passed in 1970. Presidents of both parties have reappointed me, and at least one of them indicated it was because I serve as the corporate memory of our agency. I am here today to seek your support for the President's request of $791,000 for the Commission in FY 1988, an increase over that of previous years.

It is a joy to reflect on the ways NCLIS has made a difference in our country and the many good things that simply would not have happened without us. Probably our most visible effort was the massive White House Conference on Library and Information Services in 1979--which is still generating so many benefits for our citizens--but there are many less visible NCLIS accomplishments that have had a tremendous impact as well. Early in our history, we held nationwide hearings and drew up a long range national planning document for library and information services in the U.S. We worked and continue to work closely with cultural minorities, American Indians, rural residents, and older citizens to set up programs that meet their daily needs for information. We worked and are working with the White House and Executive Branch agencies to perform valuable studies and launch cooperative programs. We participated in a nationwide campaign for literacy, making possible a technology transfer that paved the way for computer assisted literacy instruction in libraries. We helped create a program that is turning the local library into a "one stop shopping center" for all rural community information needs in four Western states. We initiated a series of trilateral conferences on the crucial role of information in the economy. We continue to help other agencies and departments follow up on their responsibilities in the information area--such as the statistics that are so necessary to the work of Congress. And of course we advised Congress on important legislation, incuding the Library Services and Construction Act, the Copyright Revision Act, the Higher Education Act, and the Older Americans Act. But this is just a sampling. Last year, as part of my testimony, I submitted a detailed 15-year history of the Commission's accomplishments to show how our work fulfills the charge Congress gave us.

The President's FY 1988 budget request will allow us to do some things our recent modest budgets have not permitted. For example in the 1970s we were able to hold nationwide hearings--as our law empowers us to do--and make on-site visits to areas of special need, such as the Indian reservations. This enabled us to uncover and document the Indian's desperate need for library and information services, which Congress later addressed in its revision of the Library Services and Construction Act through a new Title IV known as Library Services for Indian Tribes. This new title made LSCA grants available directly to Indian tribes for the development, improvement, and expansion of their tribal libraries, and it has stimulated a great deal of activity. The University of Oklahoma's School of Library and Information Studies is providing training and assistance to 506 American Indian tribes and Alaskan Native communities as they work to improve their library and information services. Known as TRAILS (Training and Assistance for Indian Library Services), this program invited a representative from NCLIS to serve on its advisory group. So much good can come from listening to the people. Your positive response to this budget request may again allow us to hold hearings.

In the past we were able to enlist the best talent and expertise in our programs. Top people in business and industry served on the NCLIS Public/Private Sector Task Force, which anticipated the current privatization debate by several years. The report of this task force is a major contribution to the current discussion of the appropriate role of the public and private sectors in providing information, and the principles of this report have repeatedly been cited as the basis for decisions and policy recommendations. Likewise our other advisory groups, who worked with us on satellite data archiving, library services to cultural minorities, and community information and referral services, to mention a few, were made up of the best available experts in the nation. These people worked for NCLIS for the reimbursement of their expenses only, because they thought what we were doing was so important. Our programs still make a difference, and we need the expertise that this requested budget increase will allow us to tap.

As our Chairman said, the library/information community looks to us for leadership, in part because of our excellent track record. There are a number of respected library and information associations and they do an excellent job of keeping up on developments in the field, but it is uniquely the Commission's job to look into the future and help shape the policies that will determine our nation's successes in the Information Age. NCLIS has always provided policy leadership on the cutting edge. We can stay on this cutting edge and retain the ability to convene the best expertise and take the measure of our nation's need for information.

In addition to advising Congress and the federal agencies, NCLIS is responsible for advising state, local, and private agencies, and for coordination of activities at these various levels. Consequently, when we advise on national library and information policies we consider the policy impact at the state and local levels. A fine example of this is our Rural Program, where we worked at the national level to hold hearings and help plan strategies to meet the complex information needs of rural communities. We worked with Congress and the Department of Agriculture to further the ultimate goal, which was to get the program running autonomously at the state and local levels through ICLIS--the Intermountain Community Learning and Information Services project. ICLIS is headquartered in Utah and currently operated in 4 intermountain states. It enables libraries in rural communities to provide rapid access to the latest information to meet the needs of all their residents. We provided guidance to ICLIS and helped them get a $2.7 million grant from the Kellogg Foundation, and now the policy and program development takes place at the state and local levels. And believe me, ICLIS is making a difference in those rural communities.

There is another area of our current work which I would like to describe to you today because it is such a perfect example of what the Commission is set up to do and indeed does so effectively. It is our Aging Program, which is dear to my heart because I am that Commissioner required by our authorizing legislation, as amended, who "shall be knowledgeable with respect to the library and information service and science needs of the elderly." Every day 5,000 more Americans turn 65. Over the past decade, the nation's over-65 population grew by 54 percent, while the rest of the population grew by 24 percent. NCLIS recognized that our rapidly growing older population was experiencing an unprecedented need for "coping" information--in health care, personal finance, retirement planning, housing, and a multitude of other areas. I can attest from personal experience that it is very difficult for an individual to obtain all this information. NCLIS stepped in and teamed up the two agencies found in every county in America--the public library and the local office on aging--which are uniquely qualified to serve the specialized information needs of the elderly. We did this by initiating an agreement with the Administration on Aging that commits our two agencies to work together at the Federal level and through our respective networks to improve services to the elderly. As a result, many states have emulated our example of teamwork and creative programs have sprung up across the country bringing together librarians, gerontologists and professionals in service to the aging.

Let me tell you about a special and mutually beneficial relationship that exists between the Detroit Public Library and the Detroit Area Agency on Aging. For the past six years, the agency has provided supplementary financial support to the library's program "Service to Retirees and Shut-Ins (SIR). This program serves a large aged population many of whom found it difficult to manage the stairs in the Carnegie-type building where the services emanated. The library sought and received funding from a major foundation for the construction of an addition to an existing more modern library building in which to house the SIR operation and make it more accessible to the elderly. This is a remarkable example of private/public sector interaction to provide library and information services to the aging. But it is not only in the big cities that we see such cooperation. When the town of England, Arkansas needed a new public library, the county authorities made the far-sighted decision to construct a building large enough to house the library and the local office on aging. In this setting there naturally occurs more interaction and cooperation between these two public agencies in serving the elderly.

This summer we expect the program to make another quantum leap when Congressman Claude Pepper addresses a group of 400 leaders in the library/information and aging fields from all over the country at the American Library Association Annual Conference in San Francisco. This meeting is a product of cooperation among NCLIS, the American Library Association, and the aging network--and is but one more achievement which reflects the Commission's vision and hard work.

We are very grateful for the funding Congress has given us in the past and we hope you will support the President's budget request of $791,000 for FY 1988. There have been many successes along the way but we know that "Success is a journey, not a destination." We have done so much with our few federal dollars. With the larger FY 1988 budget request we will continue to make progress toward our ultimate goal: providing access to needed information for all our citizens.

Mr. Chairman, thank you for the opportunity to testify before you today.

BIOGRAPHY OF BESSIE B. MOORE

HOME ADDRESS:	**712 Legato Road, Briarwood** **Little Rock, AR 72205**
HOME TELEPHONE:	**501-225-6914 (If no answer call 501-371-2326)**
MAIDEN NAME:	**Bessie Grace Boehm**
BIRTHPLACE:	**Owensboro, Kentucky**
	Lived in Arkansas since 1914
MARITAL STATUS:	Widow. Married Merlin Malcolm Moore, 1928: deceased, 1958

EDUCATION

1942 - BSE, University of Central Arkansas, Conway, AR.

1962 - MA, University of Connecticut, Storrs, CT.

EXPERIENCE AS EDUCATOR

1962 - 1979	Executive Director, Arkansas State Council on Economic Education.
1970 - 1974	Executive Director Arkansas State Council on Economic Education and State Coordinator, Environmenta~~l~~-Education, Arkansas Department of Education, Little Rock, AR.
1962 - 1974	State Supervisor, Economic Education, Arkansas Department of Education, Little Rock, AR.
1959 - 1965	State Supervisor, Elementary Education, Arkansas Department of Education, Little Rock, AR.
1966 - 1967	Consultant to U.S. Office of Education on Economic Education.
1939 - 1944	City Supervisor of Elementary Education, North Little Rock, AR.
1939 - 1944	Summer Faculty University of Arkansas, Fayetteville, University of Arkansas at Monticello, Arkansas Tech University, Russellville, and University of Central Arkansas, Conway.
1934 - 1939	Supervisor of Nursery Schools, Arkansas Department of Education, Little Rock, AR.
1924 - 1932	County Supervisor of Jefferson County Schools, Pine Bluff, AR.
1916 - 1924	Classroom Teacher, Stone County, Pulaski Company.

LIBRARY ACTIVITIES

Member, National Commission on Libraries and Information Science, appointed by President Richard Nixon in 1971, reappointed in 1973. Appointed by President Jimmy Carter for five-year term 1979. Appointed by President Reagan for five year term 1983. Vice Chairman since 1972. (Elected by Members.) Members must be confirmed by the U.S. Senate.

Attended the International Federation of Library Associations (IFLA), Italy 1964; Finland 1965; West Germany 1968; Russia 1970; Hungary 1972; Belgium 1977; Washington D.C. 1978; Canada 1982; Washington, D.C. 1974; Chicago, Illinois 1985.

Honored by American Library Trustee Association with establishment of Bessie Moore Fund, 1981.

Chosen as Honorary Member, American Library Association in recognition of service to libraries, especially in legislation, 1980.

Awarded certificate of special recognition for more than five decades of service to libraries by White House Conference on Library and Information Science, 1979. Others honored were Senator Claiborne Pell, Rhode Island, Senator Jacob Javits, New York, and Congressmen William D. Ford, Michigan, and John Brademas, Maryland.

Distinguished Guest Lecturer, School of Library Science Louisiana State University, 1976 and University of Texas, 1979.

Member, Arkansas Library Commission, 1941-1979, Chairman, 1949-1979. (Serving under 9 Governors)

Lecturer, University of Michigan (annually since 1974), University of Nebraska, Florida State University, University of Arizona, University of South Florida.

Member, National Book Committee, 1968-1974.

Chairman, Trustees of State Libraries, American Library Association, 1970-1972.

Chairman, Jury on Citation of Trustees, American Library Association, 1969-1970.

Member, Legislative Committee, American Library Association, 1961-1967.

Administrative responsibility in Arkansas Department of Education for development of school libraries, 1958-1963.

National President, American Library Trustees Association, 1957-1959.

Member, Advisory Committee to U.S. Commissioner of Education on Library Services Act, 1956-59.

Testified before House Labor and Education Committee in behalf of Library Services Act, 1956 and in behalf of libraries before both U.S. Senate and House Committee many times in succeeding years.

Winner, American Library Association, Trustee Award, 1954.

Member, Committees of American Library Association dating back to 1950.

Speaker at Library meetings in many states and Canada, including Governor's Conferences on Libraries in ten states.

Organized first county library in Arkansas, Pine Bluff, AR 1926.

BUSINESS EXPERIENCE

Owned and operated a successful Main Street business in Little Rock for several years.

Member, Board of Directors, First National Bank of Little Rock, 1971-1979.

Member of the Board, Maumelle Land Development, Inc., 1973-1976.

CIVIC AND POLITICAL ACTIVITIES

Member, Governor's Advisory Commission on Aging, 1969-1979, 1980-1982, 1984-.

Member and Finance Chairman, Sesquicentennial Commission of Arkansas for 1986; appointed by Governor Bill Clinton in 1983. Also Member of Executive Committee and Finance Chairman.

Vice President "Keep Arkansas Green", 1978.

Member, Advisory Committee Arkansas Office, Small Business Administration, 1974-1977.

Appointed by U.S. Department of Agriculture to RECD Board, 1974.

Member, Governor's Advisory Committee on Status of Women, 1968-1970.

Member, United States Committee for UNICEF, 1958-1970.

Chairman, Ozark Folk Cultural Center Commission, 1963 - (resulted in building and operation of the Ozark Folk Center at Mountain View, Arkansas—the only one of its kind in the nation.)

Member, Committee of Little Rock citizens whose findings resulted in expansion of Little Rock Junior College to 4-year institution, Little Rock University (now University of Arkansas at Little Rock), 1956-1958.

Member, Governmental Affairs Committee, Little Rock Chamber of Commerce, 1950-1958.

Member, National Board of Governors, American Association for the United Nations, 1950-1957.

Delegate, Democratic National Convention, 1936.

ORGANIZATION AFFILIATIONS

Member, American Association of University Women.

Delta Kappa Gamma, Arkansas Founder and State life member.

Member, Academy of Independent Scholars.

Past President, Little Rock Soroptimist Club.

Arkansas Congress of Parents and Teachers (Past Vice-President and life member).

Member, Red Cross Board, 1980-

Member, International Platform Association.

Member, American Academy of Political and Social Science.

Member, Woman's City Club, Little Rock.

Member, Fine Arts Club, Little Rock.

Member, Arkansas Arts Center, Little Rock.

Member, Quapaw Quarter Association, Little Rock.

HONORS AWARDED BY COLLEGES AND UNIVERSITIES

Honorary Doctor of Library Science Degree, University of Arkansas at Little Rock(UALR) 1983.

Center for Economic Education designated Bessie Boehm Moore Center for Economic Education by Board of Trustees, University of Arkansas, 1978, dedicated, 1979.

Adjunct Professor University of Arkansas at Little Rock, 1979.

Honorary Member, Alumni Association, University of Michigan Library School, 1978.

Honorary Doctor of Laws Degree, University of Arizona, 1977.

Distinguished Alumna Award, University of Arkansas, 1974.

Honorary Doctor of Laws Degree, University of Arkansas, 1958.

NATIONAL HONORS

Chosen by National Association of Economic Educators and Joint Council on Economic Education to receive "Distinguished Service to Economic Education", 1983.

National Association of Economic Educators, President, 1971.

George Washington Medal of Honor by Freedoms Foundation, 1969, for Distinguished Service to Education.

Selected by Department of State to be guest of Republic of West Germany to inspect and evaluate effects of Marshall Plan Aid, 1964.

Selected by Defense Department as a member of DACOWITS to visit military installations including hospitals, to see conditions under which women in the armed services were serving abroad, 1964.

Appointed by Secretary McNamara to the Defense Advisory Committee on Women in the Services (DACOWITS), 1961-1964.

Member, Radio Free Europe Tour, 1961 (Crusade for Freedom).

OTHER HONORS

Listed in:

Chosen to be included in 100 Arkansas Women of Achievement by Arkansas Press Women, 1980.

Who's Who in American Women.

Some Remarkable Women in Arkansas, Volume. I, International Women's Year Publication.

Distinguished Americans of the Bicentennial.

World Who's Who of Women.

Who's Who in the South and Southwest.

Directory of Education Specialists.

Academy of American Educators

Arkansans of the Years

Community Leaders and Noteworthy Americans.

Personalities of the South.

Dictionary of International Biography

ARKANSAS HONORS

Inducted into Arkansas Tourism "Hall of Fame," March 12, 1985, by Governor Bill Clinton.

Commended by the Legislative Council, General Assembly of Arkansas, May 1983 (Interim Resolution 83-4) on her many outstanding contributions to education and libraries in the State of Arkansas and the United States.

Honored by Joint Council on Economic Education for contributions to the continuing cause of better economic understanding 1982.

Chosen as Arkansas "Citizen of the Year 1979" by the March of Dimes.

Awarded certificate of recognition by Governor Bill Clinton for distinguished public service, 1979.

Named to Honorary Membership Beta Gamma Sigma, University of Arkansas Chapter, 1979.

Distinguished Leadership Award, Arkansas Bankers Association, 1978.

Awards from Arkansas State Chamber of Commerce, 1964 and 1978, for Distinguished Service to Arkansas in Economic Education.

Member of the Board, Arkansas Foundation of Associated Colleges, 1975-1977.

Member, Advisory Committee, College of Business Administration, Arkansas State University, Jonesboro, 1973-1976.

Member, Advisory Committee, College of Business Administration, University of Arkansas at Little Rock, 1975.

Member, Advisory Committee, College of Business Administration, University of Arkansas at Fayetteville, 1967-1972.

Chosen Arkansas Educator of the Year by Arkansas Business and Professional Women's Club, 1968.

Distinguished Service Award, American Association of University Women, Arkansas Branch, 1966.

Honorary Membership in Arkansas Library Association for Distinguished Service to Libraries, 1966.

Honorary Member Award and Shield Honor Society, Little Rock University, 1964.

C. E. Palmer Distinguished Service Award, 1959 (Given to the citizen of Arkansas who is judged to have given the finest service to the state the preceding year. Only woman ever to receive the award. Among other winners are the late Governor Winthrop Rockefeller and Senator J. William Fulbright).

Arkansas Woman of the Year 1952 (elected by popular vote in newspaper poll).

Designated "Arkansas Traveler," 1952

RECOGNITIONS BY OTHER STATES

Distinguished Visitor, Guatamala City, 1979.

Honorary Citizen, West Virginia, 1976.

BIOGRAPHY OF VIVIAN J. ARTERBERY

Since November 3, 1986, Vivian J. Arterbery has been the Executive Director of the U.S. National Commission on Libraries and Information Science.

Mrs. Arterbery has been active in the library and information profession since 1959. From November 1979-24 October 1986, she was Library Director at the Rand Corporation. Prior to that, (1960-1979) she held a number of management positions in the Aerospace Corporation Libraries. She began her career as a subject indexer at Space Technology Laboratories in Los Angeles, California.

Mrs. Arterbery has a B.A. from Howard University and an M.S. in Library and Information Science from the University of Southern California. In 1983, she received an Outstanding Alumni Award from the University of Southern California's Ebonics Group.

Mrs. Arterbery's expertise combines strong management background with extensive experience and knowledge in the library and information field. She is also a recognized expert in the automation of library processes. She has spoken at numerous national and local meetings and has published widely.

Active thoughout her career in many professional societies, in 1984-85, she was President of the Special Libraries Association. In 1986, she received the Special Libraries Association's President's Award for her work in the development of the Association's long-range plan. She served on the Board of Directors of the Special Libraries Association from 1980-1985. She is a member of the American Library Association and the American Society for Information Science.

Mrs. Arterbery has served on the California State Personnel Board Panels, the enabling Committee to establish rules and regulations for the California Library Service Act; as a referee for Conference papers for the National Computer Conference; and as a consultant to the U.S. Department of Education.

She has been an instructor at the University of Southern California and until November 1986, was part of the core faculty for the Technical Communications Program in the Extension Division, the University of California, Los Angeles.

24 February 1987

SUMMARY STATEMENT

Mr. TOMLINSON. Senator, I think I would prefer that you ask it again later on. [Laughter.]

Senator HARKIN. All right.

Mr. TOMLINSON. Senator, I am the new Chairman of the National Commission. Bessie Moore has been on this Commission for the 15 years of its existence, and she has been Vice Chairman for most of that time. She advised me when we came in today, if you get any tough questions, Ken, you go ahead and let me handle them because I am 84 and they will not think I know any better. [Laughter.]

Senator HARKIN. You are going to fool us on that one.

Mr. TOMLINSON. She also has a quick word to say on the history of the Commission. I will make this brief and yield my time to Bessie Moore.

Of course, I do not have to tell this subcommittee about the importance of the work we do. Introducing children, introducing our people to libraries, to computers, to knowledge are some of the most important activities that we as citizens can engage in.

Two months ago this Commission met in Chicago with the leadership of the American Library Association, and we agreed to work together to launch a campaign for libraries. The first step of that campaign is going to be an effort to try to see that every child in this country receives and uses a library card.

I think that such cooperative ventures with the ALA and with other traditional friends of libraries answers in part your question as to why funds for the National Commission should be increased. In January, I told the audience at the American Library Association convention in Chicago that I support the economic philosophy of the Reagan administration, and I support libraries. Bessie Moore told me I better not support some policies, but I will let her take care of that in a moment.

If this Commission can cast a light on the problems of libraries and provide opportunities for the library and information service providers to work together on solving the information service problems of our people, then we will have more than justified our existence and our role.

I will yield my time, though, to the distinguished Vice Chairman, Bessie Moore.

STATEMENT OF BESSIE B. MOORE

Ms. MOORE. Mr. Chairman, I would like to first say that it is a pleasure to appear before you today. This is my 16th time to appear before this committee. As the chairman said, I was on President Johnson's commission that recommended that such a permanent agency be set up, and I have served on it continuously since then. I have had the pleasure of seeing the wonderful work they have done through the years.

Last year, I submitted in my testimony a summary of the important things that we have done throughout our history. We have done many things that would not have been done had we not been here. That is the principal reason that our agency is needed. If the President had asked us this year, we would certainly have advised him differently on the question of Federal aid to libraries.

Senator HARKIN. Are you saying that you were not asked?

Ms. MOORE. No; we were not asked.

Senator HARKIN. The President did not ask this Commission's opinion?

Ms. MOORE. No.

Senator HARKIN. You had no input into that whatsoever?

Ms. MOORE. No.

Senator HARKIN. You did not offer any?

Ms. MOORE. We did not offer advice because we were not requested to.

I would like to talk about why we should have more funding.

Senator HARKIN. Pull that microphone a bit closer to you, Ms. Moore. Just a little bit closer. There you go.

Ms. MOORE. Some of the things that we are engaged in now would indicate that we need a great deal more funding. The present budget that we have would allow us to have only four meetings a year. We used to hold hearings throughout the country. We can no longer do that in our present budget.

We have been accused lately, I might say, by some friends of mine, who have said we are getting the beltway mentality because we have not had the funds to meet outside of Washington to hear what people say and to keep our finger on the pulse of the library and information changing needs. Having occasional meetings in other places in the United States rather than in Washington would certainly help us in that regard.

I would like to call attention especially to the work we have done this last year and for several years now on the aging. Our legislation requires us to give special attention to the needs of special populations, and our work on behalf of the aging attracted the attention of this committee last year so much so that you specifically mentioned in the Senate report the active role we are taking in developing library programs for the rapidly growing aging population. We have done a great deal in the aging field and will be doing a great deal more.

We are able to get other people to work with us because one of the finest jobs that we do is to get other people to do work which we do not have the money to do.

Also, we are trying to embark on some new programs that have to do with getting the libraries to be more involved in providing information, particularly to local governing officials and government agencies for decisionmaking purposes. We are trying our best to have libraries do more in their local communities than they have ever done before.

In our work on our rural program, we were successful in getting a model rural program set up in four States in the West and we helped them get a grant from the Kellogg Foundation to fund it.

We have so many things yet to do. Since I have been on this Commission for a long time and will be leaving it on July 19, 1988, I do hope that you will be able to fund us to our full amount.

I would like to say in closing, Senator, that due to the interest in our work by the Congress, you have kept us in business. There were two administrations that recommended that we be zeroed out, and before the last administration closed its doors they also recommended that we be fully funded. Now this administration has recommended that we be fully funded. So I think the administrations in each case decided, in the end, that our work is really worth a great deal.

They have indicated that they accept your wisdom in that, and we hope you will respond by giving us the full funding this year that is requested.

Senator HARKIN. Thank you very much, Ms. Moore.

The Library Assistance Program for this year was, how much, $132.5 million, and the budget request is to zero the whole thing out.

Again, what I would like to know is why should the Commission continue to exist if we have no Federal aid program for libraries?

Let me ask you this, Ms. Moore. Do you support the zeroing out of all Federal aid to libraries?

Ms. MOORE. Of course not.

Senator HARKIN. OK.

Ms. MOORE. I strongly disagree with the administration on this. I have always disagreed with any administration. I have served as——

Senator HARKIN. Excuse me. I guess what bothers me is when you said that this Commission did not advise the President, nor was this Commission asked for their advice on the Library Assistance Program; yet one of the principal reasons for the Commission's existence is to advise the President of the United States on these programs.

So I do not understand, even if you were not asked, why the advice was not given. I would think the Commission should take a position on this.

Ms. MOORE. We have worked closely with the White House on a good many things. We have always testified before you, and this committee has always asked us how we felt about this, and we have always responded that we disagreed with the administration. We have never failed to do that.

Senator HARKIN. Mr. Tomlinson, let me ask you. As the head of this Commission, what is your advice to the President? You are supposed to give advice to him. What is your advice to him on the Library Assistance Program?

Mr. TOMLINSON. Down in the ninth district of Virginia, we had a Congressman who was running for election one time, and he addressed an audience who was evenly split on the issue of building a dam down there. He said, "some of my friends are for this dam, and some of my friends are against this dam, and I just assure you, I am going to go with my friends." [Laughter.]

While I support aid to libraries, I also support this administration's economic policies. I think they are important to the American people. The bulk of the funding for public libraries comes from the local level.

In the last decade, the most exciting thing, in my opinion, that has happened in libraries is what has happened in the New York Public Library.

Senator HARKIN. Where?

Mr. TOMLINSON. At the New York Public Library the bulk of their programs have been paid for by imaginative fundraising, by imaginative private sector involvement in the work of that library.

I am not going to oppose the administration's positions on these programs. But, I do say that the existence of a National Commission on Libraries and Information Science serves a strong purpose which includes mobilizing support for libraries and for the work of libraries and information services at every level. I think that when you look at this Commission's record, when you look at our campaign for libraries, when you look at what we are going to be doing in the coming months, you will fully support our request.

As I told the people at the American Library Association convention, we are not always going to agree in terms of Federal legislative solutions, but you will find this Commission to be an activist Commission, a catalyst for seeking help for libraries. When you review our activities and programs, I believe that you will join in supporting the work of the Commission. I think our cooperative efforts with the ALA and other library and information groups indicates continued strong support from the library and information community.

Ms. MOORE. Mr. Chairman, we repeatedly offer to OMB that we feel we should be called on to review the library program budget requests, but they have not asked us to work with them on that.

Senator HARKIN. Mr. Tomlinson, you are on the Commission now. You have been an appointee for how many years?

Mr. TOMLINSON. My appointment is for 5 years. I was confirmed by the Senate last October.

Senator HARKIN. Five years. I am sure you are a decent sort. I do not know you personally. We have never had contact before, and I appreciate the little joke that you made at the beginning about being with your friends, but you do have a responsibility on this Commission. This Commission is charged by the U.S. Congress with advising the President of the United States, and I think it behooves you and this Commission to let the President know.

I do not think this President or any President wants people around him who rubber stamp whatever OMB requests, and perhaps some noise by this Commission in disagreement, if that is what you believe—however, if you feel that it ought to be zeroed out, then you are entitled to that opinion.

If you feel, however, that the Library Assistance Program fills a need in this country, that it is something that is needed for those communities perhaps that are not as wealthy as New York, towns and communities that maybe cannot raise the money locally, that do not have the kind of financial resources to service their citizens as well as perhaps other well-to-do communities, then I think that your Commission and you, personally, ought to take a position on that.

I do not think that it is in any way contrary to the fact that you may have come into this position with the administration's support. I do not think that at all. I think that, as I said, this Commission is charged with that responsibility, and I would hope that this Commission would fulfill that responsibility.

Mr. TOMLINSON. Senator, as I have indicated, I personally stand with the administration on this issue, but I assure you of one thing. The issue of Federal support for libraries will be an agenda item at the next Commission meeting. The Commission, acting as a beacon, will cast the light on the problems and opportunities of libraries.

Senator HARKIN. I appreciate that. Thank you very much.

Now we would like to turn to—I'm sorry.

Senator Stevens, Mr. Chairman, I do not know what the issue is? What is the problem? There is a request here for money, and there is an increase over last year.

Senator HARKIN. The President is requesting an increase of 20 percent for the Commission, but on the same hand he is requesting a zeroing out of all the library assistance programs. So what function will the Commission have if we have no Federal assistance to libraries? I do not understand how you can say we want a 20-percent increase in the Commission and yet zero out all the Federal aid to libraries. That is the issue I was raising.

Senator STEVENS. My advice to Mr. Tomlinson is you continue to do the job of the Commission and let us take care of OMB. I do not think you are putting the Commission to take on OMB, and I do not think he is in a position to do that. You and I might be. I respectfully disagree with you about the position in terms of going against the desires of OMB. You will not be there very long if you do that very often. It is not habitforming.

Mr. TOMLINSON. I found when I was Director of Voice of America and you were giving us great help for the VOA modernization program, it always paid to follow your advice, and I appreciate it.

Senator STEVENS. I agree with the chairman about the money. I disagree with him about his advice to you about what you should do about OMB.

Senator HARKIN. I respectfully disagree with my colleague. It is not my advice. The charter of this Commission says that they shall advise the President, and yet they are telling me they are not advising the President. It is not my thing. It is what Congress——

Ms. MOORE. Mr. Chairman, if I may say, we are also charged with many other things.

Senator HARKIN. Well, I know that.

Ms. MOORE. I hope we do them well, and I hope we do not disappoint you in those fields because we are certainly more than meeting the other requirements in our enabling legislation.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. Thank you. There will be some additional questions which we will submit for your response.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

TERMINATION OF LIBRARY ASSISTANCE

Senator Chiles: In the Administration's request for the Department of Education, the President has proposed terminating funding for the library assistance programs of the Library Services and Construction Act and the Higher Education Act. Yet the Administration proposes an almost 20 percent increase in funding for the National Commission on Libraries and Information Science. For what purposes will the requested increase in funds be used?

Mr. Tomlinson: First, let me say that of the $791,000 requested for the National Commission on Libraries and Information Science, $60,000 would be specifically allocated for the additional costs of staff converting to the new Federal Employees Retirement System. Any funds not required for extra retirement costs will be returned to the U.S. Treasury. When the budget request is adjusted for these costs, the net increase in the Commission's budget would be approximately 10.8 percent. When the proposed FY 1987 budget supplemental adjustment of $23,000 is considered, the Commission's net budget increase would be approximately 7.3 percent.

Senator Chiles: Since one of the Commission's primary purposes is to advise the Congress and President on Federal aid to libraries, why should the Commission continue to exist if the aid programs are terminated?

Mr. Tomlinson: I believe the Commission is an important agency in this country. The Commission's mandate to advise the Congress and the President on implementation of national policy of library and information services needs is essential in an area where so much still needs to be done. NCLIS work also furthers cooperative ventures that attract private sector support for library programs.

Senator Chiles: For what purposes will the requested increase in funds be used?

Mr. Tomlinson: The requested increase will allow the Commission to launch its Campaign for Libraries - a library card campaign to insure that every child has a library card and uses it, to develop program initiatives for the handicapped and disabled, to assess the impact of information technology on society, to hold hearings, and to enlist the best talent and expertise in our programs.

CAMPAIGN FOR LIBRARIES

Senator Chiles: As part of your plans for the Campaign for Libraries, you hope to get a library card into the hands of every school-age child. What steps will you take to accomplish this goal?

Mr. Tomlinson: The Commission is joining forces with the American Library Association (ALA) and the Department of Education to launch a national library card campaign in 1987. The campaign responds to a statement by Secretary of Education William Bennett in the report, First Lessons: A Report on Elementary Education in America: "Children should belong to the public library. There is one within striking distance of practically everybody. Let's have a national campaign: by the end of the 1986-87 school year, every child should obtain a library card--and use it." The goal of our campaign is to encourage every school child in America to have and use a library card.

In March 1987, the Chairman of the Commission and the President of the American Library Association met with Secretary Bennett to discuss plans for the campaign and to establish an offical liaison with the Department of Education. The campaign is currently seeking support and cooperation from the private sector: several possible sources are being approached regarding sponsorship and publicity. ALA is working on a promotion kit to encourage libraries of all types and sizes to participate in the campaign on the local level. The kit will include aids such as posters, sample ads, camera-ready copy, planning advice, reading lists, and suggested resources. Existing local library enrollment campaigns are being identified in order to share successes and strategies. The campaign materials will be unveiled at the ALA 1987 Annual Conference in San Francisco and the NCLIS/ALA National Library Card Campaign will be officially launched in September 1987.

SERVICES FOR THE ELDERLY

Senator Chiles: Has the Commission investigated and made recommendations on the need for special library services for the elderly?

Mr. Tomlinson: Over the past four years the Commission has been very active in investigating and making recommendations on the need for special library services for the elderly. Articles have been published in the library literature, NCLIS has been represented on national conference programs dealing with service to the elderly, and we are co-sponsors of an upcoming program in June 1987 for 400 participants--librarians, library trustees, and service providers to the elderly--on serving the elderly through cooperation with local Agencies on Aging, representing a partnership approach.

When the Older Americans Act was last considered for reauthorization, it was at our instigation that the language in Title III-Grants for State and Community Programs on Aging, and Title IV-Training, Research and Discretionary Projects Programs, was clarified by the Commissioner of Aging, Lennie-Marie Tolliver, to show that libraries were not excluded from consideration in these Titles.

In an effort to point the way, the Commission initiated Memoranda of Understanding with the Administration on Aging and the ACTION Agency to work cooperatively at the federal level and through our respective networks to promote the improvement and better use of library and information services to older adults and the use of older adults as volunteers in public libraries. We are exploring with VISTA and its new Literacy Corps a partnership that would promote the use of volunteers in literacy education programs, as well as the use of older adults in these programs.

NCLIS gave advice to the Congress regarding services to the elderly when the Library Services and Construction Act was reviewed for reauthorization in 1984. The amendments of 1984 authorized the following services for the elderly: 1) training librarians to work with older Americans; 2) creation of special library programs for the elderly, especially those who are handicapped; 3) purchasing special materials for the elderly; 4) paying salaries of elderly persons who work in libraries as assistants in elderly library services programs;

5) providing in-home visits by librarians; 6) establishing outreach programs to alert the elderly about available services; and 7) furnishing transportation services.

DROPOUTS

Senator Chiles: How might our nation's libraries play a more active role in reducing the growth in the high-school dropout rate?

Mr. Tomlinson: Libraries can play an active role in helping reduce the growth in the high school dropout rate through a well planned and coordinated outreach program targeted to that age group and their parents.

Many public libraries have young adult services divisions which provide materials of interest to adolescents in order to stimulate and reinforce the value of learning as a necessity for a productive life. Young Adult Services programs also provide, in a neutral atmosphere, information and referral on subjects that impact young people as they attempt to cope with life. Where there is no special Young Adult Service, activities directed to this segment of the population should be promoted and delivered by the Adult Services Division.

Library based literacy programs for teenagers are another mechanism for promoting the importance of learning and education. NCLIS' "Library Card Campaign" can help stimulate school age children to read and learn, while instilling the "library habit" and promoting literacy.

NEW TECHNOLOGY

Senator Chiles: How is the National Commission on Libraries and Information Science investigating and informing libraries about the possible uses of new forms of information technology, such as laser disk storage media? Are you helping libraries to evaluate the cost-effectiveness of such technology?

Mr. Tomlinson: In the document "Library and Information Service Needs of the Nation," published in 1975, the Commission outlined the information technologies that would have tremendous impact on library and information services: domestic communication satellites, video recordings, computers, and the diffusion of cable television. This study highlighted the potential impact for public libraries. Thus the Commission provided the library/information community with a document to assist in their planning for information services in a technologically sophisticated environment.

In FY 1984 NCLIS completed a study of the key technologies and their applications in the library and information field. Entitled "Towards the Information Environment of 1985-1990," this study included descriptions of major technologies - computers, telecommunications technology, videodiscs, etc. and the application of these technologies to the provision of library and information services in our nation.

As a part of its Information and Productivity initiatives, NCLIS has held a series of trilateral meetings focusing on Information in the Economy. The impact of information technology on libraries has been one of the concerns in these meetings. In FY 1988, the Commission will have as one of its program initiatives an assessment of the impact of information technologies on the delivery of information services and on society.

The Commission continues to serve as a catalyst in the library/information community and in both the private and public sectors to encourage exploration of additional options for greater use of information technology as well as enhanced cost-benefits.

ADEQUATE LIBRARY SERVICES

Senator Chiles: Has the National Commission on Libraries and Information Science developed standards regarding what constitutes an "adequate" level of library services to the public? What would be a reasonable standard and what proportion of the United States population has access to such an "adequate" level of library services?

Mr. Tomlinson: NCLIS has not developed standards for an "adequate" level of library services to the public. Such standards for library services have been developed by the appropriate professional association, e.g. the Public Library Association for public libraries, the American Association of School Librarians for school libraries, and the the Medical Library Association for medical libraries.

In preparation for the 1979 White House Conference on Library and Information Services, NCLIS commissioned a study entitled, "National Inventory of Library Needs, 1975: Resources Needed for Public and Academic Libraries and Public School Library/Media Centers." This document concluded that libraries were deficient in all types of resources in every region of the country. It also recommended the development of improved methods of measuring library services, the collection of more precise data and the development of better ways to evaluate the benefits to library users.

The proposed 1989 White House Conference on Libraries and Information Services would provide an opportunity for a national assessment of library and information services in light of changing technologies and institutional responsibilities.

UNMET LIBRARY SERVICE NEEDS

Senator Chiles: What are the primary unmet Library Service needs of the American population?

Mr. Tomlinson: The need to target library services to cultural minorities continues; also the library and information needs of the large group of adults and out-of-school teens deemed illiterate, or functionally or marginally illiterate, constitute a great challenge to be met. The needs of Older Americans are even more acute.

Better access to information through the new technologies and improved resource sharing is needed to provide all citizens with the opportunity to find and use the information they require in all areas of their lives.

Senator Chiles: What should the federal government be doing to help meet these needs?

Mr. Tomlinson: The federal government is addressing some of these concerns through funding of the Library Services and Construction Act, HEA Title II-B, the Older Americans Act, and the VISTA Literacy Corps.

Senator Chiles: What has the National Commission on Libraries and Information Science been doing to meet these needs?

Mr. Tomlinson: The National Commission on Libraries and Information Science appraises the adequacies and deficiencies of current library and information resources and services through studies, forums, and hearings, and widely distributes its findings. We also promote research and development activities which will extend and improve the nation's library and information service capabilities. When possible we serve as an "honest broker" or catalyst, such as we have done with the literacy technology transfer project, which holds great promise for libraries' involvement in literacy programs.

MAJOR ISSUES

Senator Chiles: Aside from debate over continuation of the Department of Education library assistance programs, what are the major current issues in the relationship between libraries and the federal government? What are the National Commission on Libraries and Information Science's activities and recommendations in these areas?

Mr. Tomlinson: There are several and, not in any priority order, they are:

Depository library program - As federal agencies begin to rely more on electronic information storage and delivery systems a body of government information to meet the needs of the public may not be available to depository libraries. The public's access to this information may be restricted as well as knowledge of its existence or how to obtain a copy.

The October 1, 1986 GPO announcement that in the future a large and significant portion of material sent to depository libraries would only be available in microfiche, e.g. Federal Register, Code of Federal Regulations, Congressional Record, and all Congressional hearings and reports, also occasioned a great outcry from depository librarians and the library and information community. The latter order has since been tabled while the JCP and GPO attempt to work out alternative solutions.

Another problem facing libraries is how to provide the public with no-fee access to government information (as the law requires) if the information is electronically deposited.

NTISSP No. 2, National Policy on Protection of Sensitive, but Unclassified Information in Federal Government Telecommunications and Automated Information Systems - This directive raised considerable concern in the library and information community regarding the government's right to restrict access to unclassified information.

NTIS privatization - The contracting out of the National Technical Information Service is viewed by the library and information community as adversely affecting equal and ready access to scientific and technical information. The concerns are that a centralized source and permanent repository for a broad range of unclassified scientific and technical reports is threatened; that bibliographic access to the material as provided by NTIS' Government Reports Announcements and Index is threatened; that dissemination of bibliographic information products from NTIS to the Depository Library Program through GPO might cease; that the timely, "on demand" sales at affordable prices for not-for-profit libraries, educational institutions, students, small business entrepreneurs and the like is in danger.

A-76 - Contracting out of federal libraries - There is concern that the contracting out government libraries will inhibit, impede, or diminish the effective flow of information within government organizations as well as eliminate longitudinal organizational memory.

NCLIS monitors current issues in the library and information field. In its "honest broker" role NCLIS has offered its assistance in bringing opposing sides together to clarify and air perspectives on current information issues, commented on A-130 and at OMB's request held separate meetings with OMB and the library and information community in an attempt to clarify the issues related to A-76. This spring, the Commission will hold a public hearing to provide a forum to air the issues raised by the directive on sensitive but not classified government information.

BALANCE OF BUDGET AUTHORITY TO OUTLAYS

Senator Chiles: In your FY 1988 budget request, you are seeking a $108,000 increase in budget authority above your revised 1987 request, and simultaneously seeking a $17,000 decrease in outlays below the revised 1987 request. Please explain this dramatic change in your ratio of budget authority to outlays.

Mr. Tomlinson: Because we began FY 1987 with an obligated balance of $182,000 our outlay comparison of FY 1988 with FY 1987 shows a net decrease in outlay in FY 1988 of $17,000. In FY 1988, we estimate that our obligated balance at the beginning of FY 1988 would be $68,000.

DISSEMINATION OF TASK FORCE STUDIES

Senator Chiles: What are the current, and recently completed, task force studies of the National Commission on Libraries and Information Science?

Mr. Tomlinson: Primarily due to budgetary constraints, the Commission does not currently have any task forces in place. The last NCLIS Task Force completed its work in June 1983. This group, jointly sponsored by NCLIS and the Special Libraries Association, reviewed the role of special libraries in nationwide networks and cooperative programs.

A two year study of library and information services resources and programs for minority groups was also published in 1983. In August 1984, an NCLIS Panel on Information Policy Implications of Archiving Satellite Data published its report "To Preserve the Sense of Earth from Space."

Recent NCLIS studies included, "Censorship Activities in Public and School Libraries, 1975-1985," a report to the Senate Subcommittee on Appropriations for the Departments of Labor, Health and Human Services, Education and Related Agencies, and "The Role of Fees in Supporting Library and Information Services in Public and Academic Libraries."

Senator Chiles: How broadly have the findings of completed studies been disseminated?

Mr. Tomlinson: NCLIS findings and completed studies are disseminated widely throughout the library and information community. Press releases are distributed regularly; Commission reports are sent to the Educational Resources Information Center (ERIC), and presentations are made by staff and Commissioners at local, state and national conferences.

Senator Chiles: Is every library in the nation made aware of the activities and recommendations of the Commission?

Mr. Tomlinson: We would like to think that every library is aware of the activities and recommendations of the Commission, but when one considers the number of public, public school, academic and special libraries, gaps may exist.

RESULTS OF WHITE HOUSE CONFERENCE

Senator Chiles: In 1979 the National Commission on Libraries and Information Science coordinated a White House Conference on Library and Information Services. What were the primary recommendations to the Federal Government of that Conference?

Mr. Tomlinson: Of the sixty-four resolutions passed at the 1979 White House Conference, there were recommendations to twelve Federal agencies. Each year, the NCLIS Chairman writes the heads of these agencies to determine what progress has been made toward implementation of the White House Conference resolutions. These findings are reported at the annual meeting of the White House Conference on Library and Information Services Taskforce (WHCLIST). The recommendations to Federal agencies included:

Having the Department of Education identify, review and change existing literacy programs as necessary to mandate flexibility -- so libraries could participate;

Asking the Federal Library and Information Center Committee at the Library of Congress to coordinate and promote national and international standards for networking;

Asking the National Bureau of Standards (NBS) to appoint a committee to insure that the library and information communities' needs are reflected in the ongoing efforts of the NBS in its development of technological standards, to bring influence on NISO and other standards organizations to be aware of this community's needs;

Asking that NCLIS convene an Ad Hoc Committee, made up of delegates to the 1979 White House Conference elected by each state and territory, to be responsible for planning and monitoring Conference follow up activities; and

Requesting that a White House or a Federal Conference on Library and Information Services be held every decade to establish the national information goals and priorities for the next decade, to assure effective transfer of knowledge to citizenry, and to take into consideration accelerated changes in information technology and practices.

Senator Chiles: How many of these recommendations have been carried out?

Mr. Tomlinson: The Federal Library and Information Center Committee (FLICC) which is under the Library of Congress, is currently updating the progress toward implementing resolutions that apply to the federal government. We will be pleased to supply their findings as soon as they are available. In the WHCLIST five-year review of the resolutions, progress has been reported toward implementation of all or part of 55 of the 64 recommendations, including the adoption and nationwide use of the national library symbol.

Some recent examples of progress in Federal agencies are noted:

The Department of Agriculture has improved the speed of document delivery through interlibrary loan from one week or more to a period of a few hours.

At the Department of Education, there is increased visibility of library programs with the Director reporting directly to an Assistant Secretary.

The Department of Health and Human Services through the National Library of Medicine has improved access to the biomedical periodical literature, increased efforts to insure long term preservation of periodical literature and enhanced automated support for document delivery.

COMMISSION MEMBERS

Senator Chiles: Of the current members of the National Commission on Libraries and Information Science, how many are professional librarians? How many are public sector employees?

Mr. Tomlinson: Three of our current Commissioners are professional librarians: Wanda Forbes, Julia Li Wu, and Margaret Phelan. Our public sector Commissioner is William J. Welsh, Deputy Librarian of Congress, who represents the Librarian of Congress. (By law the Librarian of Congress is a permanent member of NCLIS.)

SOURCES OF SUPPORT

Senator Chiles: Does the Commission have any sources of support other than direct federal appropriations? What funds or in-kind support have you received from other federal agencies or the private sector?

Mr. Tomlinson: Yes. Since its beginning the Commission has used the volunteer services of experts in the library/information community; their contributions in time and travel costs have been substantial. During the past few years an increasing number of individuals and organizations have shown their enthusiasm and willingness to contribute to NCLIS projects. These contributions are usually in the form of time, grants, equipment, materials, and services and are used to supplement the Commission's appropriations. However, while outside resources can enhance the effectiveness of NCLIS, the basic support must continue to come from tax dollars to insure objective and impartial advice.

During FY 1986, the Commission received over $147,000 in goods and services from the private sector and over $100,000 from other government agencies in support of its programs. Many people contributed their time and, in some instances, their expenses to participate in symposia and prepare publications. During FY 1987 we think we will receive private sector support in excess of $100,000 and approximately the same amount from other government agencies. This will include support for conferences and publications, library materials, and perhaps some equipment. We are confident that in FY 1988 we can continue to garner support for our programs from both the private and public sectors.

Senator Chiles: Have you attempted to work with OMB regarding advising the President on the level of federal funding for library programs?

Mr. Tomlinson: Yes. Over the years, we have offered our assistance to OMB.

Senator Chiles: Your legislative history makes it clear that you are an independent agency and that you advise the President and Congress. Has OMB attempted to impose review and control of materials you send or present to the Congress?

Mr. Tomlinson: OMB requires prior review under A-11 of all budgetary materials we present to the Congress.

Once in our early years the Office of Management and Budget attempted to alter materials we were presenting to Congress. After they reviewed our law and our legislative history, they agreed that the Commission could present any statement or materials to Congress which we deemed appropriate. In these instances, OMB does request that we indicate that our views do not necessarily reflect the views of the administration.

QUESTIONS SUBMITTED BY SENATOR DALE BUMPERS

Senator Bumpers: Would you submit for the record the Commissions' appropriations history since its inception?

Mr. Tomlinson: Yes. We are pleased to submit our appropriations history.

Year	Actual Appropriation
1972	$400,000
1973	406,000
1974	406,000
1975	409,000
1976	493,000
1977	508,000
1978	598,000
1979	668,000
1980	686,000
1981	691,000
1982	674,000
1983	674,000
1984	674,000
1985	720,000
1986	690,000
1987	660,000

Senator Bumpers: In 1972 the Commission received an appropriation of $400,000. Taking inflation into account, what is your estimate of the FY 88 funding level necessary to match the purchasing power of your 1972 appropriation?

Mr. Tomlinson: Our estimate of the funding level necessary to match the purchasing power of NCLIS' 1972 appropriation is approximately $1,200,000. The total purchasing power lost since 1973 is approximately $3,000,000.

Senator Bumpers: How does this differ with the amount you are now requesting?

Mr. Tomlinson: There is a difference of approximately $409,000.

Senator Bumpers: At the requested funding level, will the Commission be able to maintain its current services, and expand its services into the areas mentioned in your testimony?

Mr. Tomlinson: Yes. However if our funding level were the same as the FY 1987 level it would be devastating. We would have great difficulty conducting our business and we certainly could not launch the Campaign for Libraries or address the issues related to the impact of information technology or continue our level of effort in the area of of library and information services for the aging.

Questions Submitted by Senator Lowell P. Weicker, Jr.

Senator Weicker: What initiatives are you working on in the areas of the handicapped and disabled?

To what extent do public libraries rely on federal programs to serve this population?

Mr. Tomlinson: Services to the handicapped and disabled involve a wide spectrum of persons of all ages and are socio-economic groups who are affected,including those who do not read and or use libraries. This is a challenging area when one considers that library and information services to these persons should be equal to those available to the non-handicapped as resources for educational, recreational, and leisure time programs.

Our first step will be to assess progress made since the 1979 WHCLIS in implementing resolution A-5 calling for access to information for special populations. This will be accomplished through working with groups such as the National Library Service for the Blind and Physically Handicapped (Library of Congress); the Association of Specialized and Cooperative Library Agencies, the Office of Library Outreach Services and the Office for Research (divisions of the American Library Assocation); the Urban Library Council; the Association for Library and Information Science Education; and Library Programs, U.S. Department of Education. These and other groups routinely gather data on services to the handicapped and disabled.

We will assess such factors as staff training--professional and paraprofessional--services, community involvement, funding levels, removal of barriers to access, and provision of resources. This will lead to greater national awareness of areas of inadequacy and recommendations for improvement, as well as involvement of other agencies and organizations that provide services to the handicapped and disabled in cooperative ventures with libraries in order to better meet the special needs of their mutual clients.

Currently, federal grants are used 1) as seed money to initiate or expand library and information services to the handicapped and disabled with the view that the services subsequently will be budgeted from local funds; 2) to remodel public library buildings in order to accommodate the needs of the physically disabled, e.g., building access ramps, widening doorways, installing chair lifts, adding electronic doors, and improving restrooms; 3) for the training and education of personnel to work with the handicapped and disabled; 4) to train and educate the handicapped and disabled in the field of librarianship; and 5) to provide special resources--print and non-print materials, adaptive devices, and hardware--to meet the special needs of the handicapped and disabled.

Senator Weicker: Mr. Tomlinson, you indicate that the library commission will continue to help in the planning of a second national conference on libraries and information services.

Are you referring to the recently introduced legislation to establish a second White House Conference in these areas?

Mr. Tomlinson: Yes, it is Senate Joint Resolution 26 and House Joint Resolution 90. In the 99th Congress there were 50 Senators and 172 Members of the House of Representatives cosponsoring these bills. Hearings were held last Session in the House and the Senate has hearings scheduled on April 3, 1987.

The Congressional Budget Office estimates that due to inflation, the 1985 equivalent of the $3.5 million appropriation for the 1979 Conference is now $15 million. We estimate that the federal share would cost about 2 cents per capita for the 240 million people in this country, or a federal appropriation of one-third of the current equivalent of 1979 dollars, in the neighborhood of $5-7 million.

Last year, Congress authorized and appropriated $5 million for a White House Conference on A Drug Free America. Our initial inquires of their staff indicate that they project having task forces assess and study the issues and report back to a 50-75 member committee which will meet twice. Our vision for the White House Conference on Library and Information Services is far more participatory and at the grass-roots level.

Senator Weicker: Am I to assume that you are supportive of this conference?

Mr. Tomlinson: Yes. The Commission is on record supporting this conference. In 1985, NCLIS appointed a White House Conference Preliminary Design Group, with state, local and Federal representatives, which issued a unanimous planning report which I am enclosing to be included in this hearing record.

You will see that the proposed three themes of the conferences are: Library and Information Services:

- for Productivity,
- for Literacy, and
- for Democracy.

All of these themes relate directly to the continued economic well being of the nation. For example, the Conference's Democracy theme will need to consider how libraries can serve as effective information centers for all citizens; how libraries can provide elected and appointed officials and their staffs with improved access to needed information on which they base important policy decisions; how libraries can best use technology to store, synthesize and transmit information needed by government decision makers and the public; how libraries can receive and make available the information produced by all levels of government and how we can ensure that access to information is not restricted only to those who can afford to pay for it.

The Conference's Productivity theme will need to consider how libraries can provide business and industry, especially small business, improved access to information; how libraries can help American business acquire a larger share of the international market; how libraries can inform industries, economists, business consultants and others about the resources available through networks that link public, academic, school and corporate libraries; and how access to information can develop a more efficient and productive workforce.

On page 18 of the Preliminary Design Group report, alternatives for financing the conference are addressed. It is envisioned by NCLIS that the second alternative, namely a combination of funds from federal, state, and private sources, will ultimately be the most viable alternative.

We do not envision mandatory expenditures from library program funds but many states do have the White House Conference included in their five-year plans. If the conference dovetails with the goals in the state library agency's five-year plans, they may wish to consider using some of those funds to assist in local "town meetings," or state or regional conferences.

Toward the 1989 White House Conference on Library and Information Services

Report to the

National Commission on Libraries and Information Science

From the

White House Conference Preliminary Design Group

December 3, 1985

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I. Introduction

In April, 1985, National Commission on Libraries and Information Science (NCLIS) Chair Elinor Hashim appointed the White House Conference on Library and Information Services Preliminary Design Group. Composed of members from the local, state and federal levels, the representatives are from the Chief Officers of State Library Agencies (COSLA), the White House Conference on Library and Information Services Task Force (WHCLIST) and NCLIS. The Design Group was asked to:

1. Make recommendations on the kinds of appointments which should be made by the President, Senate, House and NCLIS to the 30 member National Advisory Committee (National Conference Committee), taking into consideration minority representation and geographic distribution,

2. Prepare a preliminary design which will recommend the scope and focus of the Conference,

3. Frame the different alternatives for financing the Conference, and

4. Initiate planning for the schedule of events leading to the Conference.

This report responds to that charge and offers suggestions to help advance planning for the 1989 White House Conference. Prepared for the members and staff of the National Commission on Libraries and Information Science, the report also will be useful to the White House Conference Advisory Committee and its staff, and to others who will assist in planning the 1989 White House Conference.

The Preliminary Design Group recognizes that many individuals and groups will have varying opinions about the organization and the focus of the Conference. We encourage NCLIS to widely distribute this report and to continue seeking ideas and suggestions from all persons and organizations interested in the 1989 White House Conference. The success of the Conference requires widespread involvement of the library community and of other interested organizations in Conference planning.

II. Executive Summary

Legislation pending in Congress authorizes a 1989 White House Conference on Library and Information Services. To begin planning for that Conference, the National Commission on Libraries and Information Science (NCLIS) established the White House Conference on Library and Information Services Preliminary Design Group. NCLIS has submitted to the Office of Management and Budget a preliminary budget estimate to begin planning the Conference. National library and information science organizations have expressed interest in and support for the Conference.

Library and information services for productivity, library and information services for literacy, and library and information services for democracy are proposed as the three overarching themes of the 1989 White House Conference. The Conference is a process for widespread discussion of issues relating to these themes and to other concerns for library and information services at local, state, regional and national levels. Participants in Conference activities at all levels will identify and assist in focusing issues, and develop recommendations for action. Subject specialists prepare information for use in issue discussions, and later prepare option papers and other materials to support the agenda for the national conference.

Considerable flexibility is recommended for program activities leading to the 1989 White House Conference. Substate, state and multistate activities addressing library and information services issues, or any combination of activities at these levels, should be permitted, and pending legislation should be amended to allow this flexibility. The White House Conference process must be viewed as a reflection of the federal system in which major decisions are made at all levels of government and in which intergovernmental cooperation is essential.

The pending legislation creates a White House Conference Advisory Committee. The Preliminary Design Group provides a recommended position description for Advisory Committee members, and a chart identifying categories of persons sought, characteristics, and geographic location. While the Advisory Committee is being appointed, NCLIS should appoint an interagency task force of persons from federal agencies whose missions relate to the Conference themes to begin implementation of the authorizing legislation. The Advisory Committee is encouraged to create a program team of subject specialists for each of the Conference themes to assist in planning and to prepare Conference materials. Operations Teams are proposed to assist in management of the Conference.

Conference staff and funds must be secured, and detailed planning of Conference events and activities must begin. Full-time Conference staff must be hired. Additional staff may be available on loan from other federal agencies, from libraries and library, information science and other associations having an interest in the Conference, and on contract for preparation of specific papers and documents. Alternatives for financing the Conference include federal support for all conference activities, a combination of federal and state or private funds, and private support for all Conference activities. Major activities and events leading to the Conference and following the Conference are identified in a Planning Timeline.

The success of the Conference requires widespread involvement in Conference planning. The Preliminary Design Group encourages NCLIS to continue seeking ideas and suggestions from all persons and organizations interested in planning the 1989 White House Conference on Library and Information Services.

III. The Context for Planning the 1989 White House Conference on Library and Information Services

The first White House Conference on Library and Information Services, held November 15 through 19, 1979, was the culmination of 57 state, territorial and theme conferences and other meetings that involved more than 100,000 persons in grass roots discussion of critical issues affecting library and information services.

More than 3,000 resolutions were passed at the pre-White House Conferences, many recommending action at state and local levels to strengthen library and information services. Annual summary reports submitted since 1980 by state library agencies and members of the White House Conference on Library and Information Services Taskforce (WHCLIST) document increases in state appropriations for library and information services, establishment of new grant programs, formation of many statewide Friends of Libraries organizations, expanded continuing education opportunities, and many other significant changes. No one can claim that these improvements occurred only because of the White House Conference or the state level conferences, but many people agree that these conferences helped focus attention on critical issues and helped build broader public support for improved library and information services.

The national White House Conference brought together more than 3,600 participants, including 806 voting delegates, to discuss library and information services issues and to develop recommendations for strengthening services. Delegates passed 64 resolutions urging action by appropriating authorities, policy makers, government agencies and librarians to improve library and information services. By 1985, action had been taken to implement, at least in part, 55 of these resolutions.

One of the recommendations (Resolution F-3) of the first White House Conference on Library and Information Services is "...that a White House or Federal Conference on Library and Information Services be held every decade to establish the national information goals and priorities for the next decade, to assure effective transfer of knowledge to citizenry, and to accomplish this goal in light of accelerated changes in information technology and practices."

Two resolutions (Resolutions F-1 and F-5) adopted by the 1979 White House Conference on Library and Information Services called for the National Commission on Libraries and Information Science to convene a group, with delegates from each state, territorial or special delegation to the Conference, to plan, implement and follow up resolutions from the conference.

In response to these resolutions, the White House Conference on Library and Information Services Task Force (WHCLIST) was formed in September, 1980. For the past five years, WHCLIST has monitored implementation of the 64 resolutions passed by the 1979 White House Conference and has worked toward a 1989 White House Conference on Library and Information Services. The American Library Association has adopted a resolution encouraging a 1989 White House Conference, and most other national library and information service organizations have expressed interest in and support for such a conference.

The National Commission on Libraries and Information Science (NCLIS) which coordinated pre-White House Conferences between 1977 and 1979, and organized and conducted the 1979 White House Conference, also has taken steps toward a 1989 White House Conference. At its July, 1984 meeting, NCLIS adopted a resolution to:

1. Request commitment by the President, the United States Senate, and the United States House of Representatives, to the planning and conduct of a national conference on library and information services in 1989.

2. In consultation with the Executive Office of the President, leadership of the United States Senate and the United States House of Representatives, WHCLIST, and the major national associations representing library and information services, designate during the latter half of Fiscal Year 1985, and subject to the availability of funding, a preliminary Conference Design Group to initiate planning for appointment of a National Conference Committee (to be made in Fiscal Year 1986) and for the agenda of the Conference and the schedule of events leading to the Conference; and

3. Recommend that the President's Fiscal Year 1986 budget request include funds to support the work of the National Conference Committee in planning the 1989 Conference.

An essential step in the process of achieving a 1989 White House Conference on Library and Information Services was taken in April, 1985, by Senator Claiborne Pell (Rhode Island) and Representative Bill Ford (Michigan) who introduced identical resolutions S. J. Res. 112 and H. J. Res. 244, calling for a 1989 White House Conference. During the fall of 1985, other Senators and Representatives have joined as co-sponsors of this legislation.

IV. The Scope and Focus of the 1989 White House Conference

This chapter addresses the White House Conference process. The purpose of the proposed 1989 White House Conference on Library and Information Services is reviewed. Planning assumptions made by the Preliminary Design Group are detailed. Conference themes are proposed, and recommendations are made for processes to identify issues within these themes. Activities leading to the Conference are proposed, suggestions are made for conduct of the Conference itself, and activities to follow the Conference are identified.

Purpose

Pending legislation (S.J. Res. 112 and H.J. Res. 244) states that: "The purpose of the White House Conference on Library and Information Services shall be to develop recommendations for the further improvement of the library and information services of the Nation and their use by the public, in accordance with the findings set forth in the preamble to this joint resolution." Senator Pell and Congressman Ford, in introducing the joint resolutions, call for grass roots involvement by the American public including library users, civic leaders, lawmakers, librarians and others in identifying unmet library service needs, examining library and information service issues, and developing recommendations for future library and information services.

Planning Assumptions

As planning for the second White House Conference on Library and Information Services continues, the Preliminary Design Group recommends that the following assumptions guide the work of the planners:

1. Planning efforts will be based on the public act authorizing a second White House Conference.
2. The Conference should be thought of as a process involving persons from every state, territory and Indian Nation in discussion of issues relating to library and information services at local, state, regional and federal levels.
3. The entire process should result in the identification of user needs which will serve as the basis for realistic planning for library and information services as the twenty-first century approaches.
4. The national conference itself should focus on the three themes recommended in this report, with activities at other levels also addressing these themes as well as local, state and/or regional issues.
5. The process should be viewed as a continuum with local activities building up to any state/regional activities which lead to the national conference; after the national conference the results should be reported back for possible action to regional/state/local participants.
6. The public relations component for the entire process should focus on the advocacy of library and information services as an integral and essential part of a democratic society.
7. The entire conference process should build on the results of the first White House Conference and subsequent developments.
8. Funding for the conference process should not be totally dependent upon federal funds, but should be a combination of private and/or public sector funding.
9. There should be considerable flexibility for agencies planning local, state and regional participation in the pre-White House Conference activities.
10. The opportunity should exist for states to cooperate with each other in holding joint or regional activities.
11. The conference process should involve librarians, library trustees, members of friends of the library organizations, and information services and industry personnel, elected officials at all levels, and representatives of the general public, and the total group should reflect the composition of the population of the states, territories and Indian nations.

12. Emphasis should be placed on attracting and involving persons who were not participants in the first White House Conference on Library and Information Services.

White House Conference Themes

Increased productivity, literacy, and sound government decision making are critical to the health of our nation. They are the concern of the President, Congress, and elected officials at all levels of government. We propose three overarching themes for the 1989 White House Conference: library and information services for productivity, library and information services for literacy, and library and information services for democracy. These themes will enable the Conference to identify unmet needs, examine issues, and develop recommendations as called for in the pending legislation.

These themes also insure that the Conference discussions relate to pressing local, state and national issues that are of concern to the President, Congress, and elected officials whose support libraries need. President Reagan has said: "If we're to renew our economy, protect our freedom, we must sharpen the skills of every American mind and enlarge the potential of every individual American life. Unfortunately, the hidden problem of illiteracy holds back too many of our citizens..."

1. Library and Information Services for Productivity

   Productivity in the United States has slowed over the last decade. As a result, our advantage in world markets has been shaken and employment in many industries is affected. A Nation at Risk pointed out:

   > The risk is not only that the Japanese make automobiles more efficiently than Americans and have government subsidies for development and export. It is not just that the South Koreans recently built the world's most efficient steel mill, or that American machine tools, once the pride of the world, are being displaced by German products. It is also that these developments signify a redistribution of trained capability throughout the globe. Knowledge, learning, information, and skilled intelligence are the new raw materials of international commerce and are today spreading throughout the world as vigorously as miracle drugs, synthetic fertilizers, and blue jeans did earlier....

Economists vary in their opinions regarding the causes of increasing or decreasing productivity, but two factors are often cited: investment in technology (equipment, facilities, process) and investment in human resources (knowledge and development of workers' skills and capabilities).

Human resource development is critically important to increasing productivity. Productivity is reduced when workers have difficulty coping with day-to-day responsibilities or envisioning a long-term productive career. Fiber optics, telecommunications, robotics, biotechnology, microelectronics and other technologies are redefining the way most businesses work. The technology and the shift from a manufacturing to a service-and information-driven economy mandate extensive and ongoing retraining for the workforce. This retraining requires literacy skills on the part of workers and assures their ability for continuing learning. Most workers today will be required to master five different jobs in the course of their working life.

The work force will shrink as the "baby boom" generation begins to retire, and the nation will be increasingly dependent upon minority people in the work force. As there are fewer workers and a higher percentage of disadvantaged workers, opportunities for lifelong learning must become part of the foundation upon which we build renewed national productivity.

Increased employment is a key part of economic growth and the stability of the economy. The majority of jobs now added to the economy are in small businesses. Firms of fewer than 20 employees account for more than half of the jobs in the country.

Ensuring the success and economic vitality of small business has become a national as well as a state-level priority. In New York State, for instance, the importance of small business is shown by the estimate that reducing the annual rate at which small businesses fail by only one percent would contribute 40,000 jobs to the state's economy each year.

As more business becomes international, and we compete further in international markets, business needs an expanded understanding of other cultures, languages, and business practices.

Libraries are information agencies in an information society. They are indispensable to the economic well being of our nation. Research and development depends upon access to information. Libraries are needed by industries, business, and government as they deal with the need to increase productivity and adapt to new technology.

Libraries offer, as well, an historic avenue for individual advancement, a means for increased social and economic mobility for poor and disadvantaged persons. For instance, 10 of the 25 fundable activities under the 1983 Job Training Partnership Act (which focuses on retraining the workforce) are part of today's library services -- including job information counseling, literacy training and work readiness preparation.

Libraries must also continue to provide research and information services vital to economic development. Libraries enhance industrial and business productivity by providing information vital to research and development, operations, and decision making. The products of investment in research, both by government and by the private sector, are available through libraries. Business, science and technology sections of public and university libraries every day provide technical reports, international trade information, economic data, Federal standards and specifications, copies of patents, and other information needed for business and industrial purposes. Small businesses, an increasingly significant part of our economy, need library services because they cannot afford extensive in-house information resources or massive retraining programs.

As technological changes are having an enormous impact on our economy and as our society rapidly becomes more information-based and information-driven, the ability to locate, acquire, organize and use information is essential to success.

The White House Conference will need to consider how libraries can:

- provide business and industry (and small businesses in particular) improved access to needed information;
- help American business acquire a larger share of the international market;
- inform industries, economists, business consultants and others about the resources and services available from libraries;
- expand services that assist in developing a more efficient workforce;
- insure access to new information technology;
- promote economic vitality;
- make information accessible to all people through networks that link the resources of public, university, school and corporate libraries;
- help meet the information, continuing education, cultural, and social needs of senior citizens, ensuring continued productivity of our aging society;
- serve disabled and disadvantaged persons, helping them to become more productive; and

- cooperate with community groups, organizations, and other agencies in focusing upon meeting the needs of troubled youth.

2. Library and Information Services for Literacy

Illiteracy constitutes a national crisis. Some 27 million persons, or one-fifth of the adult population of the United States, are unable to read beyond a fifth grade level. These Americans are functionally illiterate -- unable to complete an application form, write a check, address an envelope, or read a safety notice or warning sign. Another estimated 46 million persons are only marginally competent in the reading and writing tasks related to everyday living and working. At the same time the changing nature of many jobs and a more complex society demands higher levels of reading and writing ability. As a result, millions of these Americans are unemployed, underemployed, or less effective members of society. Young people join the ranks of these two groups of reading handicapped every day.

The cost of illiteracy is clear in the following national estimates:

- Forty percent of adults with incomes under $5,000 are functionlly illiterate.
- Over one-third of mothers receiving Aid for Dependent Children are illiterate.
- Eleven percent of today's professional and managerial workers and 30 percent of semi-skilled and unskilled workers are illiterate.
- $6 billion is spent annually on welfare and unemployment compensation due to illiteracy.
- $6.6 billion is spent per year on 700,000 illiterate prison inmates.
- One million students drop out of high school in the United States each year.
- Forty percent of all minority youth may be functionally illiterate.
- $10 billion is expended by corporations in remedial programs for employees.
- $224 billion annually is lost in welfare payments, crime, job incompetence, lost taxes and remedial education.
- $237 billion is forfeited in unrealized earnings of unemployed and underemployed adults.

All libraries play a role in developing and expanding literacy. Libraries offer a unique opportunity for attacking the alarming illiteracy problem in America. The 1984 U.S. Department of Education report Alliance for Excellence calls on "libraries to become active in adult literacy education programs at local, state, and national levels." This recommendation builds on public library experience with serving adult independent learners and in cooperating with schools and community groups. In the last twenty years, libraries have undertaken a dynamic role in helping people who need to develop their reading skills. Libraries seek out and acquire special materials for adult learners. They have added to their library reference services community-based information and referral centers that help potential students and volunteers get involved in local literacy programs and identify other needed services. They work with other literacy education-providers in the community. Libraries provide materials for educators, tutors, and students -- and in many cases they provide library space for tutoring programs. Providing materials, making it easy for people to use those materials, and providing programs, activities, and exhibits that help people in an information society are cornerstones of every library's service. Remediation of literacy problems can involve all types of libraries -- school, academic, public, institution, special, and Native American. Remediation, as well as prevention of problems, can range from helping parents and daycare personnel introduce children to books and reading to cooperation in implementing the results of learning disability research.

In a society that daily becomes more information-oriented and more economically dependent on the effective use of knowledge, the ability to find and use information is a fundamental skill. This ability (currently falling under several rubrics: information skills, information literacy, media literacy, critical thinking skills, and higher order thinking skills, to name a few), extends the definition of literacy. A 1983 Department of Education report states "Most educators are now beginning to recognize that we are living in a world that is driven by more information than can be taught. The average citizen, and certainly the well-educated citizen as well, must therefore be capable of selecting and abstracting the information that is needed at any given time...'Excellence in education can no longer be measured by counting the number of facts a student has memorized. Rather, the criterion must be the ability to sort through bodies of information, find what is needed, and use it to solve... problems." This objective should be realized in part through academic courses and in part through school library media centers which provide special opportunity for students to develop research and self-study skills and to build capacities for lifelong learning.

The White House Conference will need to consider how libraries can:

- more effectively support formal education for literacy;
- assist greater numbers of self-learners and their volunteer tutors
- help persons whose primary language is not English;
- cooperate with other agencies in community information and referral;
- use new technologies to serve learners;
- help people develop coping skills;
- best extend literacy and other services to people in rural areas;
- support and expand literacy and other services to minorities;
- become effective partners and advocates in mobilizing community, state, and federal action in behalf of literacy;
- help newly literate people expand their educational, cultural, and international horizons;
- best use limited Federal funds authorized under LSCA Titles V and VI, and cooperate with other Federal literacy programs;
- support training and education programs in penal institutions;
- strengthen and develop children's services and parent education programs that will help develop a new generation of life-long learners;
- support lifelong learning for people of all ages, conditions, and abilities; and
- improve services through cooperation with the private sector.

- promote the recognition that the ability to find and use information is a fundamental skill.
- provide opportunities for students to develop the ability to find and use information.

Library and Information Services for Democracy

Like business, government at local, state, and federal levels is part of today's complicated information society. Today, more than ever before, information is a crucial resource in a democratic society -- information upon which electors make their decisions, and information upon which elected and appointed officials and their staffs make decisions that affect those governed. Personnel and government decision making is being altered by technology, social change, and a rethinking of federal and state responsibilities. Information can help citizens and public officials anticipate, keep abreast of, and understand issues confronting our society -- issues that may challenge our basic ways of living and thinking. As changes take place in the federal government, more is expected of state and local governments. Government decision making is not the sole responsibility of elected or paid officials -- a democratic society depends upon the informed participation of its people. The Bicentennial of the United States Constitution, which coincides with the White House Conference, suggests the importance and timeliness of this theme.

The White House Conference will need to consider how libraries can:

- serve as effective information centers for all citizens;
- provide elected and appointed officials and their staffs improved access to needed information;
- make use of the technology to store, analyze, and transmit information needed by government decision makers and the public;
- receive and make available the information published by all levels of government;
- maintain up-to-date information about decisions and programs affecting citizens;
- deal with government-produced information regardless of format;
- work with citizen groups to ensure an informed electorate;
- help information users sift through a seemingly ever-expanding information glut, extracting what is useful, reliable, and timely;
- work more fully with the private sector to make information efficiently and economically available;
- assure that access to information is not restricted only to those who can afford to pay for it;
- maintain neutrality in providing information which is variously interpreted and used; and
- cooperate with the Library of Congress and national and state organizations in meeting information needs.

Participation Leading to the 1989 Conference

Every person in the United States has a stake in the White House Conference. Library and information services are so important to the residents and communities of every state, territory, and Indian Nation that the White House Conference process should provide an opportunity for all interested persons to have a role in reviewing needs for service, evaluating services, and planning how library and information services will serve them in the "information society." Technology provides new ways to involve large numbers of people in discussions of local, state, and federal policy on library services. Accordingly, we recommend that conference planning be sufficiently flexible to enable people in the states to determine appropriate activities preceding the Conference meeting in Washington, D.C.

Some state library agency administrators have expressed the desire not to have state conferences. Others propose that they work with neighboring states in planning and conducting multi-state activities. People in some states may find local "Speak-Outs" or regional meetings a useful means of providing grass roots participation.

Because the proposed legislation authorizing the second White House Conference calls for state conferences, we recommend that the legislation be amended or clarified to provide for appropriate substate and multi-state activities.

In planning for state participation in the process, a planning committee should be appointed in each state. If a state plans to cooperate with other states in holding a joint or regional activity, the planning committee will decide how to select those to attend the joint or regional activity. Each state delegation participating in a joint or regional activity will select from its members, delegates to the White House Conference keeping in mind the requirements as specified in the public law.

During the first White House Conference process, some of the preconferences were held two or more years prior to the White House Conference. It is difficult to maintain the interest of participants in a future conference for that period of time. Based on this experience, it is recommended that the pre-White House Conference activities at the local, state and/or regional levels be held as close in time as possible to the national conference.

For the White House Conference to be a success, it is important that the delegates have a common body of knowledge about the themes and issues to be discussed at the conference. A number of alternatives should be developed to create a common expert base, including publications and institutes. Technology, especially teleconferencing and computer networking, as a medium for training delegates should be incorporated to the fullest extent possible.

Participants in the national conference will spend substantial time in group discussions and each participant will want to be as effective as possible in these discussions. It is essential that the state delegations, prior to the White House Conference, be provided with training in group process techniques. Such training will make group activity at the conference flow more smoothly, and as a result, the substance of the group sessions will not be lost due to group process problems. Skilled and experienced moderators or facilitators are essential.

Identification and Consideration of Issues

The White House Conference process seeks to involve thousands of people in each of the states and territories in discussion of issues relating to library and information services. Some of these issues will address the proposed White House Conference themes of library and information services for productivity, literacy, and democracy. Others will be local or state issues. To make the most effective use of participants' knowledge and time, and to meet the purposes of the proposed White House Conference legislation, a framework is needed to focus issues at all levels that will also result in an agenda for consideration of national issues at the White House Conference.

The issues to be addressed by delegates to the national conference should be determined popularly, through a process beginning at the local level and continuing through any state and regional events. We recommend that the issues be simultaneously studied by subject specialists, working with the White House Conference Advisory Committee and discussed in greater detail in Chapter V. Subject specialists should be charged with compiling relevant statistics and other background information for use by delegates at all levels, who must be well-informed to debate issues and develop recommendations.

For organizational purposes, the White House Conference approach to issues should be hierarchical. The three proposed broad, overarching conference themes of library and information services for productivity, literacy and democracy each subsume a number of different issue clusters. Each issue cluster consists of interrelated, narrow and specific separate issues or problems as identified by delegates at all levels. These will eventually be addressed in the conference recommendations.

The early identification of potential issue clusters related to the themes is crucial for development of background information for use locally. To this end, the Conference Advisory Committee should engage a subject specialist for each of the three themes and determine guidelines for the format of their reports.

The subject specialists for the three areas should be charged with identifying potential issues and issue clusters, and with developing relevant delegate briefing materials.

As delegates meet in local, state, and regional events, they will delete, add to, or otherwise modify the previously identified issues and issue clusters. We recommend that substantive questions arising out of this process should be referred to a small subset of the subject specialists, maintained as an on-call cadre. At the close of state activities the Conference staff should compile a final list of issues generated by the local delegates. Those recurring from state to state and of greater than merely local or state interest should be identified from this list.

We recommend that the subject specialists reconvene to formulate an array of possible recommendations to address this list of national issues. Issue option papers would be prepared summarizing recommendations from state or multi-state activities. Separate mini-conferences might be held to elucidate each theme, and recommendations from these conferences also would be included.

Shortly before the White House Conference, those persons selected to be delegates might meet in regional delegate caucuses to add to, delete, or modify the options presented. They then would vote to determine the priority ranking of issues within each cluster and of options for recommendations accompanying them. A second approach might be to poll delegates by mail concerning their choice of options and preferred ranking of issues.

The foregoing procedures are intended to result in a substantive agenda for the national conference. The issues and options for recommendations have evolved through a popular, democratic process which is nonetheless supported by informed opinion from subject experts. At each stage, the mass of inputs is winnowed to form a manageable final body of materials for the Conference. Thus the final Conference discussion and voting represents a genuine grass roots expression of its concerns and chosen recommendations for incorporation into public policy by its elected leaders.

The national White House Conference will require the services of skilled discussion leaders, meeting moderators, and presiding officials. These persons must have a thorough understanding of what is to be accomplished at the Conference and considerable experience in group process techniques.

Activities After the National Conference

It is also important that the results and action plans from the White House Conference be taken back to the people who participated in regional, state or local activities. This will enable the participants to review what occurred at the national conference and to assess what the impact could be on their own recommendations. The opportunity would exist for the participants to discuss what they could do to begin implementing the results of their activities as well as those of the national conference.

This follow-up activity is important. Many of the participants in the state conferences during the first White House Conference process lost interest in both the national resolutions and in the state resolutions when their participation ended with the state conferences. Much time and effort will be expended in preparing the participants, giving them a unique background and experience which must not be lost in the implementation phase due to lack of post-conference communication. This follow-up activity would complete the process at the level where it had begun - the local level.

As specified in the public law, a final report of the Conference including findings and recommendations shall be submitted to the President. This report will become a blueprint for future action. It should be disseminated widely, and plans should be developed by the Advisory Committee for implementation of recommendations.

Following the precedent of the first White House Conference, the Preliminary Design Group hopes that the President will appoint an interagency task force to make recommendations for implementation of the resolutions at the federal level, and to follow up so that these resolutions are implemented.

V. Administration of the White House Conference

Planning for and administration of the White House Conference requires the knowledge and skills of members of various advisory committees and of conference staff; cooperative relationships between states and the federal government, and adequate funding to support all activities. This chapter reviews the role of the White House Conference Advisory Committee. A Federal Interagency Task Force is proposed to harness the resources and skills of federal departments and agencies toward the White House Conference effort. Program and Operations Teams of experts are suggested to assist the White House Conference Advisory Committee. Recommendations are made to encourage cooperative working relationships between the states and the federal government. Suggestions are made relating to conference staffing. Alternatives are identified for financing the conference.

White House Conference Advisory Committee

The proposed legislation establishes a White House Conference Advisory Committee. While the Conference is held under the auspices of NCLIS, the Advisory Committee has responsibility for planning and conducting the Conference. The Advisory Committee selects the Chair of the White House Conference. The Chairman of NCLIS is to serve as the Vice Chairman of the Advisory Committee. The Advisory Committee elects its Chair from among its members, but the Chair may not be a full-time federal employee.

The Advisory Committee consists of thirty persons. Eight members are appointed by the Chairman of NCLIS. Five members are appointed by the Speaker of the House of Representatives with no more than three being members of the House, and five members are appointed by the President pro tempore of the Senate with no more than three being members of the Senate. Ten members are appointed by the President. In addition, the Secretary of Education and the Librarian of Congress are members of the Advisory Committee.

In order to identify responsibilities, qualifications and desirable experience of Advisory Committee appointees, a position description was developed for Advisory Committee members, supplemented by a chart identifying categories of persons sought, characteristics, and geographic regions. These documents are intended for the use of persons making appointments to the Advisory Committee. The documents are included in Appendix A and Appendix B, pages 22 and 23.

Interagency Task Force

Following the enactment of White House Conference authorizing legislation, NCLIS should establish an interagency task force to carry out early White House Conference tasks and responsibilities prior to appointment of the White House Conference Advisory Committee. This task force should consist of representatives from federal agencies and/or their various subdivisions whose missions relate to the conference themes of productivity, literacy and democracy. Under the proposed legislation, such agencies are mandated to participate in relevant activities under NCLIS leadership ("each Federal department and agency...shall cooperate with, and provide assistance to the Commission upon its request...") and may provide funding assistance and staff as well as other administrative support. This initial interim effort would continue as needed, subsequent to the establishment of the permanent White House Conference organization with its own staff and offices. A list of relevant agencies from which the Interagency Task Force might be drawn is included as Appendix C, page 25.

Program and Operations Teams

The proposed White House Conference legislation authorizes the Chairman of the Advisory Committee "...to establish, prescribe functions for, and appoint members to, such advisory and technical committees and staff as may be necessary to assist and advise the Conference in carrying out its functions."

The Preliminary Design Group recommends that three Program Teams be appointed, one for each of the Conference themes of library and information services for productivity, library and information services for literacy, and library and information services for democracy. Program Teams would report to the White House Conference Advisory Committee. Responsibilities of Program Teams would include:

1. Identifying and refining issues and issue clusters as detailed in Chapter IV of this report.

2. Advising on plans for White House Conference programs and sessions at the level of responsibility requested by the Advisory Committee.

3. Preparing publications, conducting research and otherwise providing for the necessary background information on Conference themes and issues.

4. Preparing advance materials for delegates to provide a common level of knowledge of each theme.

5. Planning and conducting a mini-conference on each theme, perhaps at and through a major university with a center for the study of the theme area, with papers and reports published as proceedings.

Members of Program Teams should be appointed from a wide variety of national organizations or interest groups with direct interest in the themes. Representatives of library and information services organizations should be on all three Program Teams. A list of possible organizations and interests that might be represented on Program Teams is included as Appendix D, page 27. This is a representative list only and does not attempt to identify all organizations and interests that should be or would want to be involved.

In addition, consideration should be given to appointment of Operations Teams to advise the White House Conference Advisory Committee. Separate Operations Teams might be established to address public awareness, finance, personnel, and publishing.

Federal/State Relationships in Conference Planning

In the planning for the 1989 White House Conference, the relationship between the agency or organizations responsible for the administration of federal funds and the state agency or organization responsible for implementing state or regional programs and activities should be one of mutual dialogue.

Some state agency personnel who participated in 1979 White House Conference activities strongly believe that too many procedures were mandated at the federal level. In some cases, policies and procedures were changed after states were well into the planning of state conferences.

The Conference Advisory Committee must be cognizant of these strong feelings and sensitive to problems that might occur without full discussion. As the Advisory Committee develops the concepts and processes, it is essential that it maintain a dialogue with state agencies and organizations and provide those groups with opportunities and adequate time to respond thoughtfully to proposed plans.

The 1989 White House Conference should be implemented in accordance with a national public act, which is yet to be enacted. Ultimately it must be viewed as a reflection of our federal system in which some major decisions are made at the sovereign state level, territorial level, Indian Nation level, and others are made at the federal level. The need to recognize the intent of Congress as well as existing federal/state relationships in the planning for the White House Conference should complement the experience of traditional federal/state relationships. The relationships among the federal government, the state agency or state organization responsible for the administration of federal funds and the state agency or organization responsible for planning pre-White House Conference programs and activities should also follow that philosophy.

Staffing for the Conference

The conference needs a core full-time staff dedicated to the planning, implementation and post conference activities of the White House Conference. Both management and clerical staff are needed for a sufficient period of time to adequately staff the entire White House Conference process at the national level.

Additional staff will be required for varying periods of time. Coming to the White House Conference with differing backgrounds and skills, these persons may answer the varying needs of the conference process as it moves through each of its phases. Staff may come from at least five possible sources.

First, professional level staff should be lent from other federal agencies. These individuals will probably be of GS 9 level and above. They should have clerical support from their individual agencies.

Second, libraries in the United States may be willing to lend staff to the White House Conference. These individuals will probably be librarians with several years in the profession. Their time spent working on the conference might be treated as sabbatical leave so that they are paid by their library.

Third, interested national organizations and associations may be willing to lend staff to the White House Conference. Staff of associations often are particularly skilled in conference planning and design.

Fourth, some staff may be individuals on leave without pay from various libraries or from other interested organizations. They would work for periods of one month or longer. Their salaries would come from White House Conference funds. They would then return to their permanent positions.

Fifth, librarians and other subject specialists would be available to create specific papers or documents under grants from White House Conference funds, U.S. Dept. of Education grants or other funding sources. These may be library school faculty and other university faculty. They would research and write at their place of employment.

Alternatives for Financing the Conference

The 1979 White House Conference process was financed primarily from public funds provided by the federal and state governments. The Preliminary Conference Design Group has identified several alternatives for NCLIS to consider for financing the 1989 White House Conference process.

One alternative for financing the conference would be for a federal appropriation for the entire cost of the process from the local level to the national level. There will be costs for staff, delegate and committee travel, use of equipment and space, preparation and distribution of materials, and many other White House Conference functions. Expenses would be incurred at the national and state levels. For grant funding from the national level to the states, the Advisory Committee would establish a minimum and a maximum grant amount for which each state would be eligible.

A second approach would be to have the White House Conference process funded from a combination of federal, state, and private sources. Federal funds might be made available on a matching basis from funds committed by state government and contributed from private sources. The federal match could be one dollar for every dollar provided by state and/or private sources with appropriate maximum and minimum federal shares. States could use Library Services and Construction Act funds as well as state in-kind contributions in meeting their matching requirements. The advisory committee would establish a maximum allowable in-kind contribution for the state match. This type of funding arrangement would require conference planners to prepare carefully for the funding aspects. It would require a long lead time. Many states operate on a biennial budget process and would need to identify funding needs three to four years prior to state activities.

A third alternative would be to fund the process entirely with funds from the private sector. Foundations and corporations could be approached to provide funds for activities at the local, state, regional and national levels.

VI. White House Conference Planning Timetable

Certain activities and events must occur at certain times if the White House Conference process is to progress. A timeline is proposed for a White House Conference to be held in October, 1989. While dates for specific activities and events might be changed or adjusted as needed, it is important that many of the activities occur in sequence so that Conference planning and implementation proceeds as smoothly as possible.

WHCLIS Timeline

fall, winter '85	enlist cosponsors for S.J. Res. 112, H.J. Res 244
spring '86	Senate and House hearings
spring '86	Senate and House committees report bills out for votes
Apr. '86	House and Senate conference
by Sept. '86	Congress passes bill; President signs
Sept. '86	year-end supplemental appropriation
Sept. '86	White House press release
Sept. '86 +	form interagency task force
Sept. '86 - Mar. '87	secure detailees, interim offices
Oct. '86	appoint advisory committee
Nov. '86	select WHCLIS chair
Nov. - Dec. '86	appoint "big name" Deputy Chairs
Nov. - Dec. '86	appoint Executive Director
Dec. - Mar. '87 +	select staff, permanent offices
Dec. '86	begin WHCLIS newsletter
Jan. '87	briefings for national organizations, professional associations industry, etc.
Apr. '87 +	set up mechanism for contributions
May '87	President contacts Governors
June '87	adopt and mail State activity guidelines
July '87	briefings for State coordinators
July - Aug. '87	engage subject specialists
Aug. '87	satellite teleconference/workshops for State events
Sept. '87	White House reception
Sept. '87	develop subject specialist report guidelines
Oct. '87 - Jan. '88	subject specialists refine WHCLIST issue clusters, develop statistics, background information
Feb. '88 - Mar. '89	State activities: meetings, conferences, etc.
Feb. '88	Census, NCES, BLS statistics publications
Mar. '88	miniconference: productivity
Apr. '88	form corporate task force
Aug. '88	miniconference: literacy
Oct. '88	Chair briefs Congress
Nov. '88 - Mar. '89	list issues as identified in States
Feb. - Apr. '89	subject specialists develop issue option papers
Feb. '89	miniconference: democracy
Apr. '89	compile lists: all delegates, issues, options
Apr. - June '89	regional delegate caucuses: prioritize issues, finalize choice of options, form essentials of agenda
June '89	poll delegates for interest areas, make assignments
June - July '89	develop WHCLIS procedures, workbooks
July '89	Department of Education literacy publication
Aug. '89	delegation heads review procedures
Aug. '89	publish and mail to delegates: final agenda, issues and options, workbooks
Sept. '89	NCLIS publishes miniconference reports
Sept. '89	mail miniconference reports to delegates
Sept. - Oct. '89	"national information week/month"
Oct. '89	WHCLIS

Oct. '89 - Jan. '90	summarize recommendations in final report
Oct. '89 +	post-conference activities at regional, state and local levels
Nov. '89	National Press Club press conference
Feb. '90	present final report to President
Mar. '90	testify in House, Senate
Apr. - May '90	form national task force (WHCLIST) to identify and plan implementation, establish post-conference communication channels

VII. Building Support for the White House Conference

Users and providers of library and information services will receive the greatest benefit from investment of time, talent and funds by sharing responsibility for and involvement in the process from the start. The conference ought to be a catalyst for local and state improvement of services long before the national event and its implementation phase.

To ensure results from the White House Conference, involvement must be sought and shared with people from within and without the library field. Indeed, broad grass roots involvement is necessary to secure legislation, funding and Presidential sponsorship. Therefore, the highest priority should be placed on early and continuing communication and feedback. A professional public relations expert should be hired as soon as funds are available--not as a latecomer but as an integral part of early steps. A carefully planned public awareness program and budget will enable the conference staff to establish connections with library support groups as well as with literacy, education, business and public sector organizations. A list of such agencies is included as Appendix D. Trustees and Friends of the Library at local, state and national levels can become allies and financial supporters if channels of communication are established early.

Lively debates at state and national meetings and publication of issue papers in library journals, publications of other organizations, and popular magazines ought to be promoted. Those composing the advisory committee's subject specialists should act as liaisons to their associations.

Realistic expectations for financing the complete conference process are that funds will be needed from government, foundations, business and industry, and organizations. Members of the advisory committee should establish two-way communication with all of these groups far in advance of any need for underwriting.

Securing support begins with early communication. Attention to the cultivation of allies is vital.

Appendix A

ADVISORY COMMITTEE MEMBER POSITION DESCRIPTION

Appointments to the White House Conference on Library and Information Services Advisory Committee will be made by the President, the Speaker of the House of Representatives, the President pro tempore of the Senate, and the Chairman of the National Commission on Libraries and Information Science. Potential appointees will want to know what Advisory Committee member responsibilities will be. This position description has been prepared for consideration by appointing authorities.

TITLE	Member, Advisory Committee for White House Conference on Library and Information Services, 1989.
RESPONSIBILITIES	As a member of a 30 person advisory group, in effect, this person will have the same responsibilities as a corporate or association director or library trustee. She/he will participate in policy making, planning, review and evaluation of program segments and financial statements to assure success of the conference within the allotted budget. Professional full-time staff will be available for early planning, implementation and evaluation of the conference.
QUALIFICATIONS	Expertise in acquiring, providing or transmitting information. Ability to think conceptually and with national perspective. Sound and impartial judgement. Strong personal commitment.
EXPERIENCE	The #1 or #2 person in a corporation/organization/state/municipality or other government entity or a person familiar and comfortable with board responsibilities is required. Preferably the individual's occupation will relate to libraries and information services either as a user or a provider of information. In any case, key elements for this advisory appointment are: (1) proven leadership capabilities displaying effectiveness in guidance and oversight and (2) commitment to a successful conclusion.
COMPENSATION	Actual transportation costs and standard government per diem.
ESTIMATED TIME REQUIRED	Six, two-day meetings per year and travel time plus study time during planning and implementation phases.
MISCELLANEOUS	In addition to the above qualifications, and in order to provide appropriate diversity, the categories in Appendix B should be considered.

Appendix B

ADVISORY COMMITTEE COMPOSITION CHART

Appointing authorities will want to make the Advisory Committee as representative as possible. This chart has been prepared for consideration by appointing authorities.

	Northeast	Southeast	Central	Mt./Plains	West
1. LIBRARY PROFESSIONAL					
A. Public					
b. K-12					
c. Academic					
d. Special					
e. Government					
1. Federal					
2. State					
f. Library Education					
2. LIBRARY SUPPORT					
a. Trustee					
b. Friend					
c. Prof. Assn.					
3. INFORMATION PROFESSIONAL					
a. Publisher					
b. Author					
c. Media					
1. Print					
2. Electronic					
d. Abstracting					
e. Data Base					
f. Network					
4. USER					
a. Professional					
b. Business/Industry					
c. Technical/Science					
d. Homemaker					
e. Student					
5. GOVERNMENT					
a. Federal Official					
b. State Official					
c. Local Official					
A. DEMOGRAPHIC					
a. Urban					
1. Innercity					
2. Suburban					
b. Rural					
1. Town					
2. Country					
B. AGE					
a. 19-32					
b. 33-50					
c. 51-65					
d. 65-Over					
AA. MINORITIES					
a. Native American					
b. Black					
c. Hispanic					
d. Asian					
BB. HANDICAPPED					
a. Visually					
b. Deaf/Oral Deaf					
c. Limb Immobile					

The White House Conference on Library and Information Services Taskforce uses the regional structure outlined below for its organization. Appointing authorities may wish to consider this regional structure in making appointments to the Advisory Committee.

Northeast

Connecticut
Delaware
Maine
Maryland
Massachusetts
New Hampshire
New Jersey
New York
Pennsylvania
Puerto Rico
Rhode Island
Vermont
Virgin Islands

Southeast

Alabama
District of Columbia
Florida
Georgia
Kentucky
Louisiana
Mississippi
North Carolina
South Carolina
Virginia
West Virginia

Central

Arkansas
Illinois
Indiana
Iowa
Michigan
Minnesota
Missouri
Ohio
Wisconsin

Mtn/Plains

Colorado
Kansas
Montana
Nebraska
North Dakota
Oklahoma
South Dakota
Texas
Utah
Wyoming

West

Alaska
Arizona
California
Hawaii
Idaho
Nevada
New Mexico
Oregon
Pacific Territories
Washington

Appendix C

POTENTIAL SOURCES FOR INTERAGENCY TASK FORCE MEMBERS

- Executive Office of the President
  - Office of the Vice President
    - Domestic Policy
  - Office of Management and Budget
    - Office of Information and Regulatory Affairs
  - Office of Policy Development
    - Office of Policy Information
    - Office of Private Sector Initiatives
  - Office of Science and Technology Policy
  - Cabinet Council on Human Resources
  - National Productivity Advisory Committee
  - National Voluntary Service Advisory Council

- Department of Agriculture
  - Assistant Secretary for Science and Education Administration
    - Extension Service
    - National Agricultural Library
  - Under Secretary for Small Community and Rural Development
    - Rural Development Policy

- Department of Commerce
  - Assistant Secretary for Communications and Information Policy
    - Policy Analysis and Development
    - International Affairs
    - Telecommunications Applications
    - Institute for Telecommunications Sciences
  - Assistant Secretary for Productivity, Technology and Innovation
  - National Technical Information Service
  - Bureau of Economic Analysis
    - National Analysis and Projections
  - Bureau of the Census
  - Economic Development Administration
  - Assistant Secretary for Trade Development
    - Office of Service Industries
      - Information Industries Division
    - Deputy Assistant Secretary for Science and Electronics
  - National Bureau of Standards
    - Institute for Computer Sciences and Technology
  - President's Commission on Industrial Competitiveness

- Department of Defense
  - Deputy Assistant Secretary for Public Affairs
    - Directorate for Freedom of Information and Security Review
  - Defense Technical Information Center
  - Technical Libraries (10 in D.C. area)

- Department of Education
  - Assistant Secretary for Educational Research and Improvement
    - Center for Libraries and Education Improvement
    - National Center for Education Statistics
  - Assistant Secretary for Special Education and Rehabilitation Services
  - Assistant Secretary for Elementary and Secondary Education
  - Assistant Secretary for Vocational and Adult Education
  - Division for Information Services
  - Division for Library Programs
  - National Advisory Council on Adult Education
  - National Advisory Council on Continuing Education
  - National Advisory Council on Indian Education
  - National Advisory Council on Vocational Education
  - National Advisory Council on Women's Educational Programs
  - National Council on Educational Research
  - Office for Research

- Department of Health and Human Services
  - Office of Human Development Services
    - Administration for Children, Youth and Families
    - Administration on Aging
    - Administration on Developmental Disabilities
  - National Library of Medicine

- Department of the Interior
  - Bureau of Indian Affairs
    - Office of Indian Education Programs
    - Office of Indian Services

- Department of Labor
  - Employment and Training Administration
    - Office of Job Training Programs
  - Bureau of Labor Statistics
  - National Commission for Employment Policy

- Department of State
  - Assistant Secretary for Economic and Business Affairs
    - Transportation and Telecommunications Affairs
  - Bureau of International Communications and Information Policy

Independent and Legislative Branch Agencies

ACTION
Copyright Royalty Tribunal
Corporation for Public Broadcasting
Federal Communications Commission
Government Printing Office
Library of Congress
National Council on the Handicapped
National Endowment for Democracy
National Endowment for the Humanities
National Science Foundation
Postal Rate Commission
Small Business Administration
Smithsonian Institution
United States Information Agency
Veterans Administration

Appendix D

EXAMPLES OF ORGANIZATIONS AND GROUPS FOR POSSIBLE PROGRAM TEAM MEMBERSHIP

A. Library and Information Services Associations

American Association of Law Libraries
American Indian Library Association
American Library Association and its divisions and units
American Society for Information Science
Association for Library and Information Science Education
Association of Research Libraries
Chief Officers of State Library Agencies
Friends of Libraries USA
Medical Library Association
National Association of State Educational Media Professionals
Special Libraries Association
Urban Libraries Council
White House Conference on Library and Information Services Task Force

B. Related Associations

Association for Educational Communications and Technology
Association of American Publishers
Computer and Communications Industry Association
Information Industry Association
National Federation of Abstracting and Indexing Services
Society of American Archivists

C. Education Associations and Groups

American Association for Adult and Continuing Education
American Association for Higher Education
American Association of University Professors
American Council on Education
American Federation of Teachers
Council of Chief State School Officers
Institute of Educational Research
International Reading Association
Laubach Literacy International
Literacy Volunteers of America
National Association of Independent Colleges and Universities
National Congress of Parents and Teachers
National Education Association
National School Boards Association

D. User Groups

American Association of University Women
American Federation of Labor/Congress of Industrial Organizations
American Management Association
Association of Junior Leagues
Boy Scouts of America
Boys Clubs of America
Camp Fire, Inc.
Chamber of Commerce of the United States
Girl Scouts of the U.S.A.
Kiwanis International
League of Women Voters of the United States
Lions International
National 4-H Council
Optomist International
Quota International
Rotary International
United States Jaycees
Zonta International

E. Special Groups

American Association of Retired Persons
American Council of the Blind
Association for Children and Adults with Learning Disabilities
Black Affairs Center
Division of Physically Handicapped Children
Hispanic Institute in the United States
National Council on the Aging
National Federation of the Blind
Service Corps of Retired Executives Association

F. Public Affairs Groups

American Society for Public Administration
Council of State Governments
Education Commission of the States
National League of Cities
National Association of County Officials and County Executives

G. Business, Industry, Professional and Agricultural Interests for Which Association Representation Might be Sought

Agriculture
Construction
Electronics
Financial
Heavy Industry
High Technology
Light Industry
Law
Medicine
Mining
Retail
Utilities
Wholesale

H. Sources, Other Than Associations

Administrative and support staff of Congress
National libraries

Appendix E

PRELIMINARY DESIGN GROUP MEETINGS AND ACTIVITIES

At its first meeting in Washington, D. C. on April 17, 1985, the Preliminary Design Group accepted the charge and formed subcommittees to begin identifying issues and drafting recommendations. The Design Group also determined that it would solicit as many ideas and suggestions as possible from all interested persons. To that end, Design Group Chair, Bill Asp, wrote a letter requesting ideas and suggestions for Design Group consideration. More than 1,200 copies of the letter were sent by NCLIS to participants in the 1979 White House Conference, including all conference planners and members of advisory groups. The letter was also sent to library and information services associations and other professional associations having an interest in library and information services. Some thirty responses were received, with many suggestions which the subcommittees discussed. Almost all responses indicated support for a 1989 White House Conference, offered assistance in planning, and expressed interest in continued involvement.

Additional assistance to the Design Group was provided by staff of the Congressional Research Service, Library of Congress. Robert Chartrand, Senior Specialist in Information Policy and Technology and ex-officio Design Group member, and Sandra Milevski, Senior Research Assistant, provided a variety of reports and other documents to the Design Group. Ms. Milevski prepared an extensive report on White House Conferences held since 1979, reviewing composition of conference advisory committees; conference design, scope and focus; conference finance and time schedules for planning. Mr. Chartrand is working with Joseph Becker to prepare for NCLIS a report on techniques for reviewing the NCLIS national program document, *Toward a National Program for Library and Information Services: Goals for Action*, with the possibility of having the document revised or a new national program document developed for discussion at the 1989 Conference.

The Design Group continued its work at meetings in Chicago on July 8 and August 21, and in a meeting in New Orleans on October 22 and 23, 1985. Work was completed in November, 1985.

Acknowledgments

The White House Conference on Library and Information Services Preliminary Design Group expresses its sincere appreciation to all individuals and organizations offering ideas and suggestions which greatly assisted the Design Group in developing recommendations for planning the 1989 White House Conference. Special appreciation is expressed to Mary Alice Hedge Reszetar, Associate Director of NCLIS, who offered valuable information and ideas, arranged for all Design Group meetings, and prepared minutes of Design Group meetings. Special appreciation is also expressed to Ruth Miller, Minnesota Office of Library Development and Services, for providing clerical support for the Design Group including the typing of this report.

Senator Weicker: Have you any indication from the administration as to its support for such a conference, given its general disregard of the importance of federal library assistance?

Mr. Tomlinson: When our staff made an informal inquiry to the White House legislative office, we were told that the White House doesn't usually take a stand on Congressional Joint Resolutions. However, they are aware of the bills and the intense level of Congressional support. They have not made us aware of any opposition.

Senator Weicker: Mr. Tomlinson, I am impressed by your ability to obtain an actual budget request from this administration for the National Commission on Libraries and Information Science at the time when the entire federal library assistance effort with the Department of Education ($132.5 million) is proposed for elimination. And not only that, your budget would receive a slight increase.

* First of all, How did you do it?

* Second of all, would you care to comment on the administration's proposal to end all federal aid to libraries, which provides program dollars to carry out many of your Commission's stated goals for the coming year (i.e., literacy programs, initiatives for the handicapped and disabled, the upgrading of information technologies, etc.)?

Mr. Tomlinson: I think the National Commission on Libraries and Information Science is important for this country, for the library and information community, for the Congress and for the Administration. We are the only agency on the Federal level that can serve as a focal point for bringing together various constituencies at the local, state and Federal levels in the library and information field.

The Administration believes that library services are a state and local responsibility. While federal funding support for libraries is approximately four percent, a relatively small amount, it makes a major difference to the libraries throughout the nation.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

BIENNIAL BUDGET CYCLE

Senator Domenici: Calls for budget reform are increasingly heard as budget deadlines are too often missed, important budget decisions are delayed, appropriation bills and other direct spending legislation are held up in committee, and omnibus spending bills take the place of timely and orderly consideration of individual bills. One procedural reform that is being considered is the two-year budget cycle where budget and appropriations matters would be considered in the first year, and authorizations and oversight would be undertaken in the second year.

Senator Domenici: Would your department/agency favor a biennial budget process? What benefits would your agency achieve in a two-year appropriation cycle?

Mr. Tomlinson: The National Commission on Libraries and Information Science favors a biennial budget process. As an agency with a small staff and budget, the reduction in time spent on preparation of budget materials, testimonies, etc. would result in increased programmatic effort and impact.

Since 82 percent of the Commission's budget is for fixed costs; on an operational level that percent of the Commission's annual appropriations request is repetitious of the previous year's submission. The effort for new initiatives is primarily the reallocation of staff time on new initiatives. Each year approximately 40 percent of the staff effort is related to the development of new programs. Certainly restructuring the Commission's program planning process could readily take into account longer-term planning. Some flexibility would need to be built into the appropriations process to allow the Commission programs to incorporate issues or concerns that could not have been foreseen in the two-year planning cycle.

Senator Domenici: What difficulties can you foresee in preparing and submitting a two-year budget to the Congress?

Mr. Tomlinson: The major difficulty in preparing and submitting a two-year budget to the Congress would be the inability to foresee all issues which might need attention during the two-year cycle.

NATIONAL COUNCIL ON THE HANDICAPPED

STATEMENT OF SANDRA S. PARRINO, CHAIRPERSON

ACCOMPANIED BY LEX FRIEDEN, EXECUTIVE DIRECTOR

PREPARED STATEMENT

Senator HARKIN. Our next panel is the National Council on the Handicapped. We are pleased to have with us Ms. Sandra Swift Parrino, the chairperson of the National Council on the Handicapped and Mr. Lex Frieden, the Council's Executive Director.

Ms. Parrino is known across the country as one of the leading spokespersons for the rights and needs of the disabled and the parents of the disabled.

The Council is charged with reviewing all laws, programs, and policies of the Federal Government which affect disabled persons and with making recommendations to the President and Federal agencies.

Ms. Parrino, this committee is familiar with your 1988 budget request. As I said, your statement will be in the record, and please take 5 minutes or so to highlight your statement.

[The statement follows:]

STATEMENT OF SANDRA S. PARRINO

Introduction

Mr. Chairman and distinguished members of the Subcommittee, my name is Sandra Swift Parrino. I am the chairperson of the National Council on the Handicapped. We appreciate the opportunity to appear before you to present our justification for a Fiscal Year 1988 budget request in the amount of $932,000. We also are requesting a supplemental for Fiscal Year 1987 in the amount of $10,000 to partially cover the total amount needed for FERS.

Our request is $82,000 more than our Fiscal Year 1987 appropriation. However, approximately 80% of the increase is due to non-program cost increases beyond our control, such as rent, pay raises and FERS. We feel that this budget request will enable us to effectively fulfill our Congressional mandate.

NCH Authorization

As you are well aware, Congress has charged the Council with reviewing all laws, programs and policies of the Federal government which affect persons with disabilities and making such recommendations as it deems necessary to the President, the Congress, the Rehabilitation Services Administration, and the National Institute on Disability and Rehabilitation Research. Although many government agencies relate to the needs and concerns of people with disabilities, the National Council on the Handicapped is the only Federal agency with such cross-cutting responsibility for disability issues -- regardless of age, disability type, employment potential, economic need, or other individual circumstances.

In response to a 1984 Congressional mandate, "to assess the extent to which [Federal] programs provide incentives or disincentives to the establishment of community-based services for handicapped individuals, promote the full integration of such individuals in the community, in schools, and in the workplace, and contribute to the independence and dignity of such individuals...," the Council issued an extensive report titled, Toward Independence, in January, 1986.

Toward Independence presents 45 legislative recommendations which reflect the Council's consensus on issues such as equal opportunities for persons with disabilities, employment, transportation, housing, attendant care, prevention of disabilities, education of children with disabilities, and others. More than 2,000 persons with disabilities, parents of disabled children, professionals, and service-providers in all of the fifty states were involved in the process of developing this report.

Major Activities in FY 1987

During the 1987 Fiscal Year, the Council continued to follow-up with the 45 legislative recommendations presented in Toward Independence. Follow-up primarily included working with Congress to suggest legislative proposals and working with agencies of the executive branch, such as the Office of Special Education and Rehabilitative Services, to monitor the issuance of regulations.

Legislative areas in which the Council was involved included: equal opportunities for persons with disabilities, developmental disabilities, tax reform, social security, transportation, and prevention of disabilities, to name a few.

Monitoring the regulatory process was equally as important as monitoring the legislative process. The Council actively participated in the regulatory process for two benchmark pieces of legislation affecting the lives of persons with disabilities which were passed in the latter half of the 99th Congress, the Rehabilitation Act Amendments of 1986 and the Education of the Handicapped Act Amendments of 1986. In the case of the Rehabilitation Amendments, the Council convened meetings, coordinated a series of teleconferences and prepared recommendations for the Rehabilitation Services Administration regarding the regulations. The involvement of the Council with the regulations for the

Education of the Handicapped Amendments included participation in an Interagency Task Force.

Another major activity of FY 1987 was the Council's publication of its Notice of Proposed Rulemaking for a Section 504 regulation covering programs and activities conducted by the Council. The Council feels a strong responsibility and commitment to the promulgation of Section 504 regulations prohibiting discrimination on the basis of handicap.

Pursuant to its ongoing statutory mandate to establish general policy for the National Institute on Disability and Rehabilitation Research (NIDRR), the Council reviewed the operation of and provided advice to NIDRR. The Council offered input regarding key aspects of NIDRR: 1) updated long range plan; 2) peer review; 3) annual program priorities; and 4) Interagency Committee on Handicapped Research (ICHR).

A new duty which Congress assigned to the Council in the 1986 Rehabilitation Amendments was to establish general policies for the President's Committee on Employment of the Handicapped (PCEH). As a result of this new charge, the Council convened meetings and provided input to PCEH. In addition to involvement with PCEH, the Council has been assisting with the formation and development of the newly authorized National Commission on Education of the Deaf.

In an effort to gather valid and reliable data regarding the life circumstances of persons with disabilities, the Council has been involved in three Harris polls. In Fiscal Year 1986 the Council initiated the first ever, nationwide Harris poll survey of Americans with disabilities. Subsequent to the Harris survey, the Council analyzed the survey's implications for the Federal Government in a document entitled, "Federal Policy Implications of the Harris Poll." The Council initiated a second Harris poll focusing on employers' perceptions of persons with disabilities which was conducted by the International Center for the Disabled. The Council assisted with the development of the survey instrument and the publicity and dissemination of findings. The Council intends to provide assistance with a third Harris poll dealing with children with disabilities and their families.

As the primary Federal agency with responsibility for "reviewing and evaluating all policies, programs and activities concerning handicapped individuals...," the National Council on the Handicapped continuously seeks to receive input and feedback from consumers with disabilities. Conducting forums in different parts of the United States, on a variety of topics, is one way of seeking input. In FY 1987 the Council conducted forums on topics such as the elderly disabled, political and economic refugees, and native Americans with disabilities. The Council also maintains a list of disabled consumers whose expertise is highly valued and utilized on many issues.

Another way to be involved in issues of concern to disabled persons is to cosponsor conferences and meetings. During FY 1987 the Council cosponsored conferences on minorities with disabilities, transition from school to work, and the economics of disability. Other cosponsors included the Office of Special Education and Rehabilitative Services, and the President's Committee on Employment of the Handicapped.

Participation in a wide array of interagency committees enables the Council to keep abreast of activities in the Federal Government, as well as keeping others informed of the Council's activities. Membership on the Interagency Committee on Handicapped Research, the Federal Advisory Council, the Interagency Committee on Developmental Disabilities reflects this policy of cooperation.

Facilitating educational experiences through a fellowship program for mid-level professionals has been another area in which the Council has been involved for three years. In Fiscal Year 1987 the Council again sponsored a fellowship program for two outstanding professionals, both of whom were persons with disabilities. One individual had extensive experience in housing options for disadvantaged and disabled persons and the other fellow had expertise in advocacy and vocational rehabilitation. This program has been mutually beneficial for the fellows and the Council. We look forward to its continued success.

Finally, in order for the disability community, Congress, and others to know more about the activities of the Council a newsletter entitled, "Focus" was developed and disseminated widely (first issue 5/87). The newsletter is a vehicle for communication and will help the Council to solicit input regarding its activities and policy development.

FY 1988 Appropriations Request

During the 1988 Fiscal Year, the Council will continue its follow-up and monitoring activities pursuant to the 45 legislative recommendations in its 1986 report. In addition, in accordance with the Rehabilitation Act Amendments of 1986, the Council will submit a report to the President and Congress on the progress that has been made in implementing the recommendations contained in Toward Independence. The 1988 report may contain data on such subjects as health, housing, employment, insurance, transportation, recreation, and education. The Council will continue to address its statutory responsibilities to establish general policies for the National Institute on Disability and Rehabilitation Research and the President's Committee on Employment of the Handicapped, as well as provide recommendations and advice to the Commissioner of the Rehabilitation Services Administration.

To assure coordination of programs and services affecting people with disabilities, the Council also will continue its participation in such initiatives as the Interagency Committee on Handicapped Research, the Federal Agency Council, the Interagency Committee on Computer Support of Handicapped Employees, the Federal Task Force on Disabled Persons, the Interagency Committee on Developmental Disabilities, and other similar coordinating bodies.

Input from consumers with disabilities is critical to the Council's process of policy development. As in the past, input will be solicited at four public forums on topics such as: institutional and long term care reform; attendant care issues; technology advancement and utilization; recreation opportunities for persons with disabilities; transportation needs; and accessible housing options. Specific technical information will also be solicited on an individual basis from the Council's advisors.

Another activity scheduled for FY 1988 is the Council's participation in the development of a third Harris poll surveying issues and concerns of children with disabilities and their families. Finally, the Council plans to develop and disseminate a comprehensive monograph summarizing demographic and other statistical information on disabilities and discussing the need for additional data.

Conclusion

Mr. Chairman, members and staff of the Subcommittee, thank you for the opportunity to present this statement. The experience of chairing the National Council on the Handicapped has been one of the most significant experiences of my life. As the parent of three children, two of whom are disabled, I have appreciated the strides made over the past few years with regard to the rights of persons with disabilities. I have been very encouraged by the commitment on Capitol Hill and continue to look forward to a very productive 100th session. I would be remiss if I did not mention the dedicated work of my colleagues the Council members, all of whom have devoted time and energy to the Council's mission of improving the lives of persons with disabilities.

I would be happy to answer any questions that you may have.

Table 1.

AGENCY	1987 ACTUAL	1987 PROPOSED ADJUSTMENTS	1987 REVISED	1988 REQUEST	1988 COMPARED TO 1987 ACTUAL	1988 COMPARED TO 1987 REVISED
NATIONAL COUNCIL ON THE HANDICAPPED	$850,000	$10,000 (Supplemental)	$860,000	$932,000	$82,000	$72,000
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BIOGRAPHY OF SANDRA S. PARRINO

Sandra S. Parrino, of Briarcliff Manor, New York, was appointed Chairperson of the National Council on the Handicapped in 1983 by President Reagan. She has been actively involved in issues concerning disabled people for many years. Her 20 year old son, Paul, has been severely physically disabled for most of his life. She is best known as a spokesperson for parents of disabled children, as a panelist, lecturer, lobbyist, and organization official.

Mrs. Parrino serves on numerous boards and councils. She has been director for the Office of the Disabled in Ossining and Briarcliff Manor, New York; she has served on the board of Westchester County Homes for the Retarded; and she has been a member of the New York State Assembly Task Force on the Disabled, which reviews pending legislation in the State of New York. Through her efforts, many local advances have been made to improve accessibility for disabled people, such as setting up transportation services and installing voting machines for disabled persons, fundraising to provide interpreter services for deaf people; and supervision of the school district's compliance with Federal regulations. Her major interest since becoming a member of the Council has been promoting independence and equality for people with disabilities.

Mrs. Parrino is also a member of the board of Parent Chain, and has served as an American representative to the United Nations and UNICEF for International Year of Disabled Persons. She is currently the North American Vice President of Rehabilitation International, a worldwide service, information, and advisory organization.

BIOGRAPHY OF LEX FRIEDEN

Lex Frieden is Executive Director of the National Council on the Handicapped, an independent Federal agency located in Washington, D.C. The Council is a fifteen member body appointed by the President and confirmed by the Senate. The Council is charged by law with reviewing all laws, policies and programs affecting people with disabilities and making recommendations to the President and the Congress.

Prior to assuming his present position, Mr. Frieden was Director of the Independent Living Research Utilization project at The Institute for Rehabilitation and Research and assistant professor of rehabilitation at Baylor College of Medicine, Houston, Texas.

A graduate of Tulsa University, Mr. Frieden has been honored as a Distinguished Alumnus. He also holds a master's degree in social psychology from the University of Houston. He has done additional graduate work in rehabilitation psychology at the University of Houston with support from an SRS doctoral fellowship, and he has been awarded a World Rehabilitation Fund Fellowship to study programs for disabled people in Europe.

Mr. Frieden, a quadriplegic due to spinal cord injury, has been involved in the organization of several groups of disabled individuals including the American Coalition of Citizens with Disabilities, the Coalition of Texans with Disabilities, and the Houston Coalition for Barrier Free Living.

Working in the independent living movement by severely disabled people since the early 1970's, Mr. Frieden has published several books and papers on independent livng. He served as a consultant panel member for the United States House of Representatives' Committee on Science and Technology from 1976 through 1978, and he prepared the background paper on Community and Residential Based Housing for the White House Conference on Handicapped Individuals in 1977. He was honored by the U.S. Jaycees in 1983 as one of America's Ten Outstanding Young Men.

BUDGET REQUEST

Ms. Parrino. Thank you, Mr. Chairman and distinguished members of the subcommittee. My name is Sandy Parrino, and I am chairperson of the National Council on the Handicapped. I am here today with Lex Frieden on my right, who is the Executive Director of the Council.

We are indeed honored to be testifying before this committee, and we appreciate how much you have supported the mission of the Council. Senator Harkin, we look forward to your leadership and working closely with you in your position as chairman of the Subcommittee on the Handicapped.

Today, we present our justification for a fiscal year 1988 budget request in the amount of $932,000. We also are requesting a supplemental for fiscal year 1987 in the amount of $10,000 to partially cover the total amount needed for the Federal Employees Retirement Program.

This request is $82,000 more than our fiscal year 1987 appropriation; however, 80 percent of the increase is due to nonprogram cost increases beyond our control such as rent and pay raises.

The National Council on the Handicapped is the only Federal agency with crosscutting responsibility for disability policy issues. As you recall from last year, we submitted our landmark report, "Toward Independence," which we have a copy of here, to Congress and the President. However, the real job was not producing the report. It has been following up on the 45 legislative recommendations. We have reported on that in our written statement, and I have a copy of our work plan update with us.

In an effort to preserve time, I would like to highlight one major activity of which we are very proud, and that is our involvement with two historic Harris polls. We also have a copy here of the results of the first poll.

The Harris polls have given us a tremendous amount of insight into the lives of persons with disabilities. For example, disabled Americans are much poorer than nondisabled Americans. Fifty percent of all disabled persons report household incomes of $15,000 or less. This figure is far worse among elderly disabled people.

Disabled Americans have far less education. Forty percent of all disabled Americans did not finish high school. This figure is three times higher than among nondisabled persons.

Being disabled means having little social life and not being able to get around in the community. Nearly two-thirds of all disabled Americans never went to a movie in the last year. Seventy-five percent did not see live theater or a music performance.

Finally, with regard to employment the figures are shocking and appalling. Two-thirds of all disabled Americans are not employed, and 8.2 million of that group want to work.

Our recent survey reveals that employers rate disabled employees as good or better than other employees in similar jobs. In fact, 75 percent of managers say that the average cost of employing a disabled person is about the same as employing a nondisabled person; however, this glowing record does not translate into results.

Only 43 percent of managers say that they have hired a disabled person in the last year. Seventy-five percent of managers feel that disabled people often encounter job discrimination.

In conclusion, the Harris poll findings resoundingly support our major theme in "Toward Independence" and our current priority of a comprehensive equal opportunity statute for persons with disabilities.

As the parent of a severely physically disabled son who is 21 years old, I have witnessed a common thread of discrimination throughout his whole life. We are proposing an equal opportunity statute that will prohibit discrimination against persons with disabilities. A statute that would make disabled Americans first class, and not second-class citizens. We look to the Congress and the disability community to work with us in the development of this historic legislation.

Mr. Chairman, members, and staff of the subcommittee, thank you for the opportunity to present this testimony. I must say that while I have had a lot of experience with voluntary boards and commissions, my experience in chairing the National Council on the Handicapped has been the most significant. Working with a group of dedicated and committed Council members and staff has been extremely gratifying. I never cease to be amazed at the time and energy expended by our members.

Thank you for your time. We look forward to working with Congress to improve the quality of life for disabled Americans. We would be happy to answer any questions.

Senator HARKIN. Ms. Parrino, thank you very much for that fine testimony. Again, I want to thank you personally for the fine work that you have done on the National Council on the Handicapped and to just tell you that as I fulfill my obligations as chairman of the Handicapped Subcommittee that anything we can do, any information you can give us, however you might be helpful, please, the door is open, and please work with us as closely as possible.

In your testimony last year, you mentioned that the Council was preparing to prioritize many recommendations to determine some short-range and long-range goals. I am interested right now in what areas you might have identified as short-range goals.

Ms. PARRINO. We have just come back from a quarterly Council meeting, and we have decided that employment is both a short-term and long-term goal and attendant care is something that is a tremendous problem facing disabled Americans. When I say attendant care, I am talking about assistance for hearing impaired people, sight impaired, physically disabled, mentally retarded, or any kind of situation where an attendant is needed.

We are also very concerned about the indication that there is widespread abuse toward disabled Americans in institutions, nursing homes and in their own homes.

These are all things that we are very concerned about. We are also concerned about education of disabled children. We are right now beginning to prepare the third Harris poll which will survey parents of disabled children and disabled children.

Senator HARKIN. When are you going to do that?

Ms. PARRINO. Well, we are trying to find the funding for that right now, and we hope that we can start preparing that in the next couple of months.

Senator HARKIN. Last year you also talked about discriminatory laws that keep out immigrants coming into this country who have disabilities. You said you were going to be looking into that and perhaps making some recommendations. Have you found anything?

Ms. PARRINO. Yes; we held a forum discussing the problems of the refugees. We did have some very interesting testimony from that forum.

Senator HARKIN. Again, let me ask you. Have you found anything concrete on any U.S. laws that prohibit persons with disabilities from entering the country? Have you been able to put your finger on anything?

Ms. PARRINO. The main problem is that if you are an immigrant or a refugee and you do not have legal status, you have absolutely no services at all.

We also found that even for people who did have a legal status, language was a tremendous barrier, and just approaching public agencies is something that they are quite frightened of doing.

So we did get a lot of information which I would be happy to submit for the record.

Senator HARKIN. One last thing. Has the Council done an evaluation of the new Tax Reform Act to see what its impact is on the handicapped?

Ms. PARRINO. We are in the process of analyzing the impact. We hope to have something prepared for our May meeting. We are just starting to hear about some of the problems that disabled people are feeling from the changes in the tax law.

Our fellows, we know, are affected by it. We have two fellows here with us, Laverne Chase from Baltimore, MD, and Ray Fuller from Little Rock, AR. We think we have the only fellowship program like this in the country.

There are also many other areas where disabled people are going to suffer from possibly not being able to deduct certain expenses. As most people involved with disability know, it is very expensive to be disabled. It costs a lot of money to be disabled.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. I have some more questions, Ms. Parrino, but in the interest of time I might submit them to you in writing regarding transportation and a couple of other areas.

Thank you very much for your fine testimony.

Ms. PARRINO. Thank you.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

COUNCIL WORKPLAN SUMMARY

Senator Chiles. In your testimony last year, you anticipated activity on 30 projects in 1987. Please present a summary of the status and progress on each of these projects.

Answer. The Council has developed and begun implementation of a comprehensive workplan pursuant to its statutory responsibilities and as a follow-up to the 1986 report, Toward Independence. The workplan provides a detailed blueprint, including a description of each project, a statement of its purpose and rationale, and a projected methodology for pursuing each of the Council's objectives. A list of the workplan projects with a statement of their primary goals follows:

Linkages Between Independent Living Centers and the Private Sector- promoting involvement of business and industry in the activities of independent living centers by utilizing corporate executives' expertise in fund-raising and management.

Model Centers on Employment- identifying and describing successful model centers on employment of persons with disabilities to stand as examples.

Establishment of Return-to-Work Programs- reviewing current practices of employers in the area of return-to-work programs and convening a Council forum on effective return-to-work programs.

Communications Barriers Study- analyzing unique barriers confronting persons with communications disabilities such as individuals who are deaf and hard of hearing, blind and visually impaired, speech impaired, deaf-blind, and severely physically disabled. A forum and comprehensive report with legislative recommendations will be developed.

Amendments to Laws Regarding Employment- suggesting legislative proposals for the Targeted Jobs Tax Credit and Section 190 of the Internal Revenue Code. Both provisions provide incentives to employers for hiring persons with disabilities.

Internal Revenue Code Revision- suggesting legislative proposals for tax credits for persons with disabilities who incur unreimbursed expenses directly related to independent living, employment, efforts to secure employment, personal assistance services, transportation, assistive devices, and other support services. Attempts will be made to distinguish disability-related expenses from medical-related expenses.

Monitoring Funding for Part A of the Rehabilitation Act - Independent Living Services- recommending funding for this part of the Rehabilitation Act Amendments of 1986. An amendment to provide core funding to those independent living centers that meet the standards approved by the Council was included in the 1986 Amendments.

Cooperative Projects with the Social Security Administration- consistent with Council recommendations in Toward Independence to make section 1619 of the Social Security Act permanent, Congress enacted Public Law 99-643, "The Employment Opportunities for Disabled Americans Act." Another Council recommendation related to the Social Security Administration concerned health insurance coverage for persons with disabilities. Congress has directed the National Institute on Disability and Rehabilitation Research to conduct such a study. Future issues for clarification include personal assistance services, eligibility for Social Security benefits, and implementation of Section 1619.

Lowering the Mandate of Public Law 94-142 to Serve Children at Birth- consistent with recommendations made by the Council, the enactment of Public Law 99-457, the "Education of the Handicapped Act Amendments of 1986," authorizes comprehensive services for disabled infants, toddlers, and their families. Equally important, the new law expands the existing Preschool Incentive Grants Program to mandate services for all disabled youngsters of ages 3-5 by 1990. The Council will closely monitor the promulgation of regulations for these important programs by serving on an interagency committee.

Examining the Implementation of the Least Restrictive Environment- based on extensive research, the Council is developing a policy statement regarding the concept of least restrictive environment and its implementation.

Development of a Commission on Excellence in Special Education- exploring the need for a commission on excellence in special education similar to the recent Carnegie Commission report on excellence in education.

Transitional Programming for Young Adults with Disabilities- conducting a parent-employer conference on the best practices in transitional programming with the Office of Special Education and Rehabilitative Services and the President's Committee on Employment of the Handicapped. Recommendations will also be made for regulatory improvements in the area of transitional services.

Congressional Liaison Activities- establishing liaisons with relevant Congressional members and Committees to provide advice and legislative analyses when appropriate. Activities include: oral and written testimony, responses to questions, and legislative language.

Partnerships with the Disability Community- developing and cultivating contacts within the disability community, with both groups and individuals, to facilitate communication of ideas regarding policies, programs, and services for persons with disabilities.

Development of Resource Networks- recognizing the need for consumer input, the Council has compiled a list of advisors who are individually consulted on specific issues of interest to the Council.

Public Information Activities- as a newly established independent federal agency, the Council has a responsibility to provide information about its activities and projects. Ways in which this is done include reports, brochures, speeches, papers, articles, tv and radio segments, and a newsletter.

Establishment of General Policies for the National Institute on Disability and Rehabilitation Research- pursuant to the Council's statute, ongoing efforts are made to monitor the operation and activities of NIDRR. Consistent with these efforts, the Council has attempted to clarify and assert the Council's role in establishing general policy for NIDRR and will formally issue and transmit policy directives.

Analysis of Federal Implications of Harris Poll I- the Council will issue a report entitled, "Implications for Federal Policy of the 1986 Harris Survey of Disabled Americans." Chapters include: 1) Defining disability; 2) Disability demographics; 3) Emerging political constituency; 4) Protection from discrimination; 5) Employment; 6) Education; 7) Social life and leisure; 8) Barriers to full social participation; 9) Role and focus of the Federal Government; 10) Limitations of the Harris survey; and 11) Future research agenda.

Input on 1990 Census- since March of 1985 the Council has sought to convince the Bureau of the Census to include questions about physical and mental impairments on the 1990 Census. Because of the decision not to incorporate such questions, the Council will suggest a legislative proposal to Congress to direct the Census to collect additional data on persons with disabilities

Disability Statistics Monograph- publishing a monograph summarizing disability statistics from currently available sources and discussing the needs for the collection of additional disability data

Prevention of Disability- developing programs which will reduce the incidence of primary and secondary disabilities. Seek Congressional appropriations for: 1) the Office of Disease Prevention and Health Promotion's development of a national plan for the prevention of disabilities; and 2) the creation of small community-based grant programs for the prevention of disabilities.

Promoting the Enactment of an Equal Opportunity Law for Persons with Disabilities- consistent with a major recommendation of Toward Independence, the Council is committed to working toward the enactment of a comprehensive statute guaranteeing equal opportunities for individuals with disabilities. Presently, the Council is convening meetings with individuals and groups representing the disability community to seek input. As the Council develops legislative language, it looks forward to working with the Congress on this important issue.

Promulgation of the Council's Section 504 Regulation- developing regulations governing the application of Section 504 of the Rehabilitation Act of 1973 to programs and activities conducted by the Council. As of March, 1987, the regulations, which were submitted on December 16, 1986, were awaiting comments by the Department of Justice.

Transportation Accessibility Amendments- suggesting legislative proposals for prohibitions of discrimination on the basis of handicap to the Urban Mass Transit Act. Another area of interest includes the regulatory negotiation process developed by the Department of Transportation in response to the Air Carrier Access Act of 1986.

Nondiscrimination and Accessibility in Housing- developing language for amendments to the Fair Housing Act related to nondiscrimination on the basis of handicap, as well as working toward retaining and improving the Department of Housing and Urban Development's Section 202 program for the development of housing for individuals with disabilities.

Recommendations for Reauthorization of Developmental Disabilities Act- suggesting legislative changes to the Act on three major programs: 1) the Basic State Grant Program, 2) Protection and Advocacy Systems, and 3) University Affiliated Facilities. Recommendations and testimony will be submitted to Congress

Development of 1988 Report to the President and Congress- pursuant to the 1986 Rehabilitation Act Amendments, the Council is directed to issue a report to the President and Congress on the progress that has been made in implementing the recommendations in Toward Independence. This report will be submitted by January 30, 1988.

[The total list of projects is 27 because in several cases projects were combined. Research projects also are included.]

COUNCIL FORUMS

Question. Please detail your forum activities for 1987 and your expectations for these activities in 1988.

Answer. During Fiscal Year 1987, plans have been made to conduct four forums. Two forums were held at the February quarterly meeting. One forum surfaced the concerns of elderly disabled persons; and the other focused on concerns of political and economic refugees with disabilities. A third forum on attendant care is planned for the summer of 1987. And the fourth forum will take place in August of 1987 in Denver, Colorado. It will deal with issues pertinent to native Americans with disabilities.

During Fiscal Year 1988, plans are being made to conduct forums on topics such as: institutional and long-term care reform; attendant care issues; technology advancement and utilization; recreation opportunities for persons with disabilities; transportation needs; and accessible and adaptable housing options.

ACCESS TO AVAILABLE SERVICES

Question. A Harris poll of disabled individuals sponsored by the Council revealed that many handicapped individuals are not aware of the services available to them. What have the Council and the federal agencies done to make handicapped individuals aware of available services?

Answer. Pursuant to the statutory responsibilities of the National Council on the Handicapped, attention has been paid to federal policies which address public information regarding services available to persons with disabilities. One example of the Council's interest is a recommendation in the Council's report, Toward Independence, that relates to the coordination of services and stresses the importance of information in attempting to avoid duplication of services. Another example of the Council's concern that persons with disabilities be informed of available services is a comprehensive listing of federal programs affecting persons with disabilities in Toward Independence.

The Council supports the numerous federally supported programs which provide information about programs and services for persons with disabilities such as the Clearinghouse on the Handicapped, the National Rehabilitation Information Center, Project HEATH (Higher Education and the Handicapped), and the National Information Center for Handicapped Children and Youth.

As a relatively new federal agency, the Council has placed an emphasis on its own public information function. Efforts to increase awareness about the Council have included the initiation of a newsletter that will be widely disseminated.

HEALTH INSURANCE FOR PERSONS WITH DISABILITIES

Question. Please explain your accomplishments in making health insurance more accessible and affordable to disabled persons.

Answer. The Council believes that the lack of adequate health insurance is a major problem facing persons with disabilities. This problem has been stressed by many disabled persons during the Council's numerous public forums which have been held throughout the United States. The Council believes that the availability of health insurance coverage for people with disabilities is also an important incentive to employment.

In our report, Toward Independence, the Council addressed the issue of health insurance and made two recommendations. The first recommendation concerned a legislative change to amend the Social Security Act to make Section 1619 (a) & (b) permanent. The other recommendation suggested a research project be conducted to determine cost-effective methods of providing health insurance for persons with pre-existing conditions who cannot obtain adequate coverage.

Both of these recommendations were included in legislation passed by the 99th Congress. Public Law 99-643, the "Employment Opportunities for Disabled Americans Act," made permanent Section 1619 (b) which extended Medicaid eligibility. The Rehabilitation Act Amendments of 1986 directed the National Institute on Disability and Rehabilitation Research to conduct a study regarding health insurance problems of persons with disabilities. The Council is monitoring both of these new projects.

In addition, the Council is a member of a steering committee of the Office of Special Education and Rehabilitative Services which is planning a conference to explore disincentives within the SSDI/Medicare program which act as barriers to employment of persons with disabilities. The conference will: 1) develop a concept of SSDI/Medicare disincentives; 2) develop recommended policy options for dealing with the disincentives; and 3) afford key policy officials with the opportunity to develop consensus on appropriate policy options.

The Council has identified the need for health insurance coverage for persons with disabilities as a priority and will continue to work with the Social Security Administration to develop strategies to review this problem and to make future recommendations.

DISCRIMINATORY IMMIGRATION LAWS

Question. In your testimony last year, the Council said that it would be "investigating U.S. immigration laws that prohibit persons with disabilities from entering this country." Please explain which immigration laws discriminate in this way and what recommendations have resulted from the Council's inquiry.

Answer. The Council's analysis of immigration standards affecting persons with disabilities has identified provisions in the Federal statutes that provide an extreme example of unequal treatment of people because of their disabilities. Section 1182 of Title 8 of the U.S. Code deals with Admission Qualifications for Aliens; subsection (a) of that Section lists general classes of aliens who "shall be ineligible to receive visas and shall be excluded from admission into the United States." The list of excluded classes includes the following:

> (1) Aliens who are mentally retarded;
> (2) Aliens who are insane;
> (3) Aliens who have had one or more attacks of insanity;
> (4) Aliens afflicted with psychopathic personality, or sexual deviation, or a mental defect;
>
> * * *
>
> (7) Aliens not comprehended within any of the foregoing classes who are certified by the examining surgeon as having a physical defect, disease, or disability, when determined by the consular or immigration officer to be of such a nature that it may affect the ability of the alien to earn a living, unless the alien affirmatively establishes that he will not have to earn a living;
>
> * * *
>
> (30) Any alien accompanying another alien ordered to be excluded and deported and certified to be helpless from sickness or mental or physical disability or infancy ... whose protection or guardianship is required by the alien ordered excluded and deported; * * *

The categories listed are in addition to criminals, paupers, vagrants, professional beggars, drug addicts, prostitutes, polygamists, stowaways, anarchists, Nazis, Communists, and other specified classes of undesirables.

The exclusion of persons with disabilities under the quoted provisions has not merely been a theoretical possibility. These admission qualifications have been used to prevent the entry into the United States of persons with various disabilities. This is evidenced by U.S. Courts of Appeals decisions upholding the legal validity of such exclusions: United States v. Shaughnessy, 180 F.2d 687 (2d Cir. 1950) (13-year-old girl with Down syndrome and her mother); United States v. Curran, 10 F.2d 38 (2d Cir. 1925) (15-year-old boy with a valvular disease of the heart); United States ex. rel. Markin v. Curran, 9 F.2d 900 (2d Cir. 1925) (woman with a visual impairment and a syphilitic condition whose husband was a naturalized citizen).

In addition to concerns raised by statutory bars to immigration, the Council has also looked into the special problems of refugees with disabilities living in the United States. The Council's meeting in February of this year was held in Miami, Florida, and the Council convened a forum on the "Concerns of Political and Economic Refugees with Disabilities." The Council received testimony from a number of professionals, organizations, and private individuals familiar with the unique problems facing immigrants who are disabled. Issues raised included the lack of access to services because of illegal status and difficulties with language and cultural differences. After consultation with the Immigration and Naturalization Service, the Council will make appropriate recommendations and legislative proposals for addressing these serious problems.

HARRIS POLL ON EMPLOYMENT

Question. I understand the Council has followed up its initial Harris poll of disabled persons with a new poll related to employment of disabled persons. Please briefly summarize the findings of this poll.

ANSWER. Last year's Harris poll, "Bringing Disabled Americans into the Mainstream," gave us such important insights into the lives of disabled Americans on issues such as employment, transportation, discrimination, and social life, that we were committed to pursuing certain areas in more depth.

Employment was one such area. The first poll revealed that 2/3 of all persons with disabilities (not including those in institutions) are not working; and that 8.2 million say that they would like to work. These findings were the catalyst for the second Harris poll.

The second Harris poll focused on the perceptions of employers regarding the employment of disabled workers. "Employing Disabled Americans" was based on interviews with 921 different companies -- 210 with top managers, 301 with equal opportunity officers, 210 with department heads and line managers, and 200 with top managers of very small companies.

The purposes of the survey were to determine what employers across the country were doing to employ persons with disabilities and to return persons with disabilities to work; what experiences employers have had with persons with disabilities; what barriers prevent employers from hiring persons with disabilities; and what steps that the public and private sectors could take to increase the employment of persons with disabilities.

The final report has not been issued as of this date. However, the following key findings from the preliminary report are very significant.

- A great majority of employers rated the performance of disabled workers as "good to excellent."
- 75% of managers said that the cost of employing persons with disabilities is no greater than the cost of hiring a non-disabled worker.
- Nearly all disabled employees do their jobs as well as or better than other employees in similar jobs.

However, the disappointing evidence of this survey is that, without some new stimulation, the employment of persons with disabilities is unlikely to increase significantly.

- Most managers think their company is already doing enough to employ persons with disabilities and should not make greater efforts to do so.
- Most employers believe that the shortage of qualified job applicants with disabilities is a major barrier to the employment of more persons with disabilities.
- Employers consider the hiring of persons with disabilities a lower priority than the hiring of people from minority groups and the elderly.

Reviewing the data, and interpreting some of the responses, it is clear that most managers give the recruitment of persons with disabilities a very low priority, and that little societal or business pressure exists to change their prioritization.

Efforts to increase the employment of persons with disabilities will only succeed if:

- there is an increase in the number of job applicants who are perceived by employers to be qualified.
- employers give the employment of persons with disabilities a higher priority.

Finally, the survey revealed a number of steps that leaders in government, business, and voluntary organizations could take to increase the employment of persons with disabilities:

- increase job training programs for persons with disabilities;
- make available widespread information on qualified applicants;
- create programs to make employers aware of agencies which have disabled applicants; and
- encourage disabled people to apply for positions.

The Council will continue its commitment to expanding employment opportunities for persons with disabilities.

BARRIERS TO TRANSPORTATION

Question. Since I also serve on the Appropriations Subcommittee on Transportation, I would be interested in hearing what progress has been made toward eliminating barriers to public and private transportation.

Answer. The Council strongly believes that accessible transportation is a prerequisite for achieving equal opportunities for persons with disabilities. In our report, Toward Independence, the Council concluded that accessible transportation is a critical component of a national policy which promotes self-reliance and self-sufficiency of people with disabilities. People who cannot get to work or to the voting place cannot exercise their rights and obligations as American citizens. The Nation's experience with accessible transportation over the last fifteen years suggests that workable, cost-effective alternatives are available.

In Toward Independence, the Council recommended the following legislative changes to remedy the problems of inaccessible transportation.

1. Urban Mass Transit — Congress should amend Section 16 of the Urban Mass Transit Act to require full accessibility to mass transportation to be achieved over a realistic period of time.

Congress should also amend the Architectural Barriers Act of 1968 to establish the Department of Transportation as a standard-setting agency for the development of access standards for buildings, facilities, and public conveyances, including rolling stock and aircraft, which are designed, altered, constructed or purchased with Federal funds to insure that they are readily accessible and usable by disabled and elderly persons.

2. Air Transportation — Congress should amend the Federal Aviation Act to prohibit discrimination by all airlines using Federally assisted airport and state that all airlines using Federally assisted airports are subject to the provisions of Section 504 of the Rehabilitation Act of 1973 and regulations promulgated thereunder.

3. Intercity and Interstate Buses — Congress should extend coverage of handicap nondiscrimination requirements to interstate commerce, thus prohibiting such discrimination by intercity and interstate bus companies.

4. Private Transportation — Congress should establish a low-interest loan program based on income to assist disabled persons and families with disabled children or elderly persons to purchase vehicles or to make necessary access modifications.

5. Research — Congress should direct the Department of Transportation to commission a study, based upon its existing authorities and targeting currently available funds, to assess the impact of increased access to transportation on employment, education, and quality of life for disabled and elderly persons.

The Council, along with others, is pursuing the implementation of these recommendations. To that end, the Council has convened numerous meetings, teleconferences, and briefings, as well as developed summaries, memoranda, issue responses, and other supportive documentation to explain and promote these recommendations.

More specifically, with regard to air travel, the Council's recommendations were enacted by the 99th Congress in the Air Carrier Access Act. The Council is monitoring the promulgation of regulations for this Act.

Finally, the Council will continue to promote its recommendations regarding all forms of accessible transportation. Furthermore, it is anticipated that as legislative proposals develop, the Council will participate in the process of drafting, critiquing, and refining legislative language to insure the rights of persons with disabilities are adequately met.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

PROPOSED EARLY INTERVENTION RESCISSION

Senator Weicker. As I am sure you are aware, the President has proposed rescinding $50 million appropriated in FY87 for an early intervention program for disabled infants. In addition, he has not requested any new funds for this program or for the supported employment program in Fiscal Year 1988. Were you consulted about any of these cuts? What impact will these cuts have on the disabled population?

Answer. The Council was not consulted on the proposed rescission of funds appropriated for the early intervention program. Nor was the Council consulted regarding 1988 funds for early intervention or supported employment. However, the Council has had the opportunity to provide input on program matters related to these issues.

The Council has pointed out consistently that our Nation cannot afford to squander billions of dollars on costly dependency-oriented programs, especially when it has the option of spending its dollars more productively on education and rehabilitation programs that offer individuals with disabilities the opportunity to avoid such expensive and debilitating dependency.

Research indicates that effective early intervention programs have tremendous benefits for young children and their families. Furthermore, early intervention programs significantly decrease the amount of money spent on disabled adults in later life. The Council believes that without such services, more disabled children will most likely require costly institutions; be dependent on Federal income support programs such as SSI and SSDI; or need expensive medical and therapeutic interventions later in life.

SUPPORTED EMPLOYMENT PROGRAM

The Rehabilitation Amendments of 1986 created supported employment programs for persons with severe disabilities "for whom competitive employment has not traditionally occurred," or for whom competitive employment has been "interrupted or intermittent as a result of a severe disability." The Council firmly believes that if supported employment programs are made available, a large number of severely disabled persons currently residing in residential facilities could return to the community and become gainfully employed.

The Council is committed to seeking methods, such as early intervention and supported employment, which will enable severely disabled children and adults to live independent and productive lives in the mainstream of our society.

FEDERAL POLICY IMPLICATIONS OF HARRIS POLL I

Question. In your statement you indicate that the National Council has prepared a report on the policy implications of the earlier Harris poll survey of Americans with disabilities. What are some of the policy implications included in your report?

Answer. We were so impressed with the scope and depth of the data in the Harris Poll, "Bringing Disabled Americans into the Mainstream," that we felt a responsibility to interpret the findings in terms of the Federal Government. As you can imagine, with the reams of data available from the survey, our report, "Implications for Federal Policy of the 1986 Harris Survey of Disabled Americans," was a major undertaking. Although it is not in final form, the following is a summary of the highlights:

1. Studies conducted by Federal agencies, such as the Census Bureau, should consider the survey methodology and definition of disability used by Harris as a model.

2. Federal agencies should conduct more complete demographic studies of Americans with disabilities.

3. Federal laws and programs should focus more upon the nonurban disabled population.

4. Federal programs should more adequately address the unique needs of women with disabilities, as well as elderly disabled persons.

5. Federal planning and policies must address a substantial rise in the numbers of Americans with disabilities over the next two decades.

6. Elected officials and policy makers should recognize that persons with disabilities are an emerging political constituency whose views and objectives will become increasingly important.

7. Congress should recognize the need for enhanced protection against discrimination on the basis of a person's disability, and should enact a comprehensive law requiring equal opportunity for individuals with disabilities, commensurate with the civil rights protections afforded other minorities and women.

8. Federal agencies should develop new and expanded initiatives to publicize the requirements of current Federal laws that prohibit discrimination against persons with disabilities

9. The Federal Government, State and local authorities, and the private sector should give utmost priority to addressing the vital problem of unemployment among disabled persons.

10. Federal statutes and regulations should create a clear duty upon the part of employers to make practicable modifications to their workplaces.

11. Congress and the Department of Education should carefully monitor and expand progress toward equal educational opportunities achieved under the Education for all Handicapped Children Act.

12. In accordance with existing statutory authorities, Federal agencies should take vigorous actions to address the social isolations of individuals with disabilities and to increase their opportunities for leisure experiences.

13. Service and research programs specifically targeting persons with disabilities should place a major priority on fostering social and recreation opportunities for the populations they serve.

14. Agencies responsible for recreation resources, research, and programs for the general public, such as the National Park Service and the U.S. Forest Service, should increase efforts to make such opportunities available to and usable by persons with disabilities.

DISINCENTIVES TO WORK

Question. When the Secretary of Labor was before this Subcommittee last week, we discussed the recent Harris poll the Council initiated on employers' perceptions of persons with disabilities. Can you highlight some of the findings of the poll?

Answer. The findings of the second Harris poll, "Employing Disabled Americans," were released at a Council press conference on February 4, 1987. This historic study provides the necessary data to develop solutions to the problem of massive unemployment of persons with disabilities.

The survey was initiated by the Council in cooperation with the International Center for the Disabled in New York and the President's Committee on Employment of the Handicapped. It is the first nationwide survey of managers' perceptions of employing disabled persons.

The results specify some of the barriers facing disabled workers. For example, over 75% of the managers surveyed felt that disabled people often encounter discrimination. Discrimination by employers remains an inexcusable barrier to increased employment of disabled persons.

Although disabled employees received strong performance evaluations, and managers found an absence of cost barriers, these factors have not translated into widespread hiring of disabled persons. Only 43% of the Equal Employment Opportunity managers surveyed said that their company had hired disabled people in the past year.

Survey results also indicate that large companies are more likely to hire disabled persons than small ones. In light of predictions that by the year 2000 the majority of jobs will be created by small companies, this finding is somewhat pessimistic.

Other barriers noted by the survey include the lack of policies or programs for hiring disabled workers and a low level of consciousness about disability among managers. Many managers were not aware that disabled people want to work and are capable of becoming productive employees. For example, only one in ten top managers indicated a strongly optimistic attitude toward disabled people as a potential source of employees.

When asked what policy changes are needed to expand employment opportunities for disabled persons, EEO managers named increased job training; increased information about applicants; placement agencies; and increased aggressiveness on the part of disabled applicants.

Question. Has the Council worked with the Labor Department at all to overcome some of the barriers and disincentives many disabled people encounter when considering employment?

Answer. The Council has discussed the Harris poll on employment with the Department of Labor. In fact, the Department of Labor participated in a roundtable on the implications of the poll which was sponsored by the Council.

The Council also has provided input to the Department of Labor on two important issues that have an impact upon the employment of persons with disabilities, the Targeted Jobs Tax Credit Program and the Validity Generalization System.

The Council plans on providing additional recommendations to the Department of Labor on the employment needs of persons with disabilities.

Question. Has the Council raised any of these issues with the President's Committee on Employment of the Handicapped?

Answer. Yes. The President's Committee had substantial involvement in the development of the recent Harris poll of employers. In February, the Council co-sponsored, with the President's Committee, a forum of employers to address the major issues identified in the survey.

In the Council's new role of establishing general policies for the President's Committee, as mandated by the Rehabilitation Act Amendments of 1986, it is anticipated that the Council will work closely with the President's Committee to further delineate the implications of this important survey.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

BIENNIAL BUDGET CYCLE

Senator Domenici. Would your department/agency favor a biennial budget process? What benefits would your agency achieve in a two-year appropriation cycle?

Answer. As you know, the Administration is studying the subject of multi-year budgeting and whether to propose biennial budgeting for appropriations for accounts other than those in the national defense area. While the Council has not taken any formal position on the biennial budget process, we do recognize the advantages of a two-year appropriations cycle. Because we are a very small agency, the administrative work related to the appropriation process absorbs a comparatively large amount of Council time and effort each year. A two-year process would enable us to concentrate relatively more time and effort on the substantive work of policy analysis and recommendation development, which we are legislatively mandated to do.

Question. Approximately what proportion of your annual appropriation request would you consider simply repetitious of the previous year's submission?

Answer. Approximately 85 percent of the Council's annual appropriation request is repetitious of the previous year's submission. That is, most budget items for our agency have a fixed relationship to prior year costs and may be projected fairly accurately on the basis of experience.

Question. What difficulties can you foresee in preparing and submitting a two-year budget to the Congress?

Answer. The principal difficulty which might arise from a two-year budget cycle results from our need to be able to respond quickly to ad hoc priorities dictated by the Administration or Congress, and consequently our inability to predict specific needs for contractual assistance in areas of topical policy research.

Question. If you oppose the biennial budget concept, please give this subcommittee your reasons why.

Answer. In principle, the Council does not oppose the biennial budget concept.

U.S. INSTITUTE OF PEACE

STATEMENT OF JOHN NORTON MOORE, CHAIRMAN

ACCOMPANIED BY ROBERT F. TURNER, PRESIDENT

PREPARED STATEMENT

Senator HARKIN. Next we go to Mr. John Moore, the Chairman of the U.S. Institute of Peace, and Mr. Robert Turner, President of the Institute.

When the committee considered the Institute's needs for the 1987 appropriations bill, the Institute had just set up an office and hired staff. At that time, the Institute allowed a second carryover of $3.6 million from funds appropriated for fiscal year 1985. The committee added $625,000 to that sum, to provide a total of $4.2 million in the fiscal year 1987 budget authority.

Although the Office of Management and Budget is requesting $3.3 million new budget authority for fiscal year 1988, the Institute is requesting funding at the authorized level of $10 million, an increase of 138 percent above the effective 1987 level and 1,500 percent above the actual appropriation.

The committee is aware that the Institute is charged with the most crucial challenge of promoting international peace and the resolution of conflicts among nations and peoples of the world without recourse to violence.

Mr. Moore and Mr. Turner, we are familiar with your budget request. As I said, your statement will be included in the record. Please take 5 minutes or so to summarize it and highlight your testimony.

[The statement follows:]

STATEMENT OF JOHN NORTON MOORE

Introduction

Mr. Chairman and Members of the Committee, I am John Norton Moore, Chairman of the Board of the United States Institute of Peace. I am accompanied by the Institute's first President, Robert F. Turner. It is a great pleasure to appear before you this afternoon to discuss the Institute's appropriations request for Fiscal Year 1988.

No function of government is of greater importance than providing for the peace and security of the nation. That critical purpose is substantially furthered by a national commitment to promote scholarship, education, and understanding about the underlying causes of international armed conflict, and to train people in methods of resolving international disputes without violence. That, in essence, is what the United States Institute of Peace is about.

Consider these facts:

- Although we may think of ourselves as living in a world at peace, today approximately one out of every four nations is involved in significant armed hostilities of one sort or another. Knowledgeable estimates of the number of ongoing armed conflicts range from the low forties to more than one hundred--depending upon the threshold used.[1]
- It is estimated that since the end of World War II about five million people have died around the world as a direct consequence of armed conflict. This figure includes between one and two million deaths in tiny Cambodia, between 500,000 and 800,000 in the Iran-Iraq conflict, half-a-million in Uganda, and more than 200,000 in Afghanistan. Additional scores of millions have been maimed, crippled, or made refugees by these conflicts.[2]
- One only has to visit the Vietnam Memorial here in Washington on any given day to observe a small measure of the immense pain and suffering our own citizens have experienced within recent decades.

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[1] See generally, James F. Dunnigan & Austin Bay, *A Quick & Dirty Guide to War: Briefings on Present and Potential Wars* (New York: William Morrow, 1986); and Charles J. Hanley, "Number of wars is rising; cost is beyond counting," *Richmond Times-Dispatch*, Oct. 25, 1986, p. 2.

[2] Hanley, "Number of wars is rising," *op. cit.* p. 2. Dunnigan & Bay include a five page table giving data on "The World in Conflict" since the end of World War II, and conclude: "The casualties from all [post WW II] wars (including the few that have actually ended) exceed 50 million dead, wounded, and missing. The number of refugees exceeds that created during World War II, and the cost of the wars of the last forty years has more than matched the horrendous expense of World Wars I and II combined." *A Quick & Dirty Guide to War, op. cit.* pp. 335-36. In discussing the possible consequences of a future war in Europe's Central Front, these writers conclude: "This would be a multitrillion-dollar war with over 100 million casualties if the fighting went nuclear. Even if there were a comparatively restrained conventional conflict lasting a month or so, the total cost, including economic damage, could still be in the one- to two-trillion-dollar range. Because much of the undeveloped world depends on Europe for manufactured goods, there would be collateral losses in many other parts of the globe.

"There has never been a time when Europeans were not heavily armed in defense of their territory. Thus it is difficult to say that the peacetime military budgets are excessive. Still, several hundred billion dollars a year are spent on military matters. Peace is very expensive." *Ibid.* p. 306.

- The trends are as clear as they are alarming. During my lifetime the United States has lost nearly six times more soldiers in combat than it lost in all of our conflicts with other nations during the first 150 years of our country, including the Revolutionary War, the War of 1812, the Mexican-American War, the Spanish-American War, and the First World War.[3]

In 1984, with overwhelming bipartisan support in both Houses of Congress, the United States Institute of Peace was established. Last week we commemorated the first anniversary of the inaugural meeting of the Institute's Board of Directors. We come before you this afternoon to report on our first year's activity, and to seek your continued support so that we might continue our important work in the coming fiscal year.

We have a duty to our taxpaying constituents to be frugal in our handling of public funds. We also owe them our best efforts to find means other than war for managing international disputes. Measured in current dollars, since the start of World War II the United States alone has spent more than $550,000,000,000 fighting wars.[4] This translates to an average annual cost of about $12,000,000,000--or about $50 each year for every man, woman, and child in America today--and this does not include the costs associated with national defense when the nation has not been at war. The Institute's proposed budget of $10,000,000 dollars certainly is not insignificant, but at less than five cents per citizen per year it would seem to constitute a reasonable and justifiable investment in the search for a peaceful future.

It is my understanding that you have before you the Institute's budget presentation document, which highlights our programs and details the various elements of our budget request. In the interest of time, I shall not attempt a comprehensive presentation of those details at this time--although we are certainly happy to respond to any questions you might have on any aspect of our proposal. Instead, I want to provide you with a brief overview of what we are doing and to explain why, in a year of serious budgetary constraints, we are seeking a significant increase in the Institute's funding.

The First Year: Laying the Proper Foundation

One year ago, on February 25 and 26, 1986, the Institute's Board of Directors held its inaugural meeting in the Russell and Dirksen Senate Office Buildings. Since then, we have devoted much of our effort to establishing the Institute's administrative and organizational structure with great care and preparing the way for full implementation of our substantive programs.

Robert F. Turner agreed to serve as our first President for a period of up to one year, in order to help us get underway rapidly while at the same time permitting a thorough national search for a long-term Institute President. I am pleased to report that our search for his successor is progressing well. During the final months of last year we conducted a major national campaign to identify the best possible candidates for the Institute's presidency. Our efforts included advertising the position in *The New York Times* and other periodicals, and soliciting nominations from distinguished individuals across the nation. I personally sent more than 3,000 letters to the presidents and chancellors of every college and university in the nation, and nearly 200 more to the heads of peace and conflict management programs, scholarly and professional publications, and private foundations, informing them about the Institute and its activities and soliciting applications and nominations for its presidency. Morris Leibman, the Chairman of our Personnel Committee, sent out several hundred additional letters to distinguished leaders of government, business, labor, the law, and other fields. As a result of this process, we now have in excess of two hundred nominees and applicants for the job. Our Personnel Committee is actively engaged in the process of selecting finalists to recommend to the full Board, and I hope we will be able make a selection in the next month or two. In the meantime, we have asked Bob Turner to stay on for a few more months to allow us to complete our selection process in an orderly fashion and to facilitate a smooth transition.

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[3] Figures used in calculations are from *The 1987 Information Please Almanac* p. 308. Consistent (but less detailed) figures appear also in *Statistical Abstract of the United States 1986*, p. 342 (table number 570).

[4] Figures used in calculations are from ***Statistical Abstract of the United States 1986*** p. 338 (table number 557).

We currently have a staff of seven (in addition to the President), and I would match them against any staff in this town in terms of their dedication, hard work, and devotion to the purposes of the Institute. Because of our desire to defer most personnel decisions until the new President is on board, the initial small staff has been called upon to work exceedingly hard and to put in long hours. The office is in operation on the average of more than twelve hours per day, and it is a rare Saturday and Sunday that does not find at least part of the staff hard at work.

When the recent Combined Federal Campaign was announced, we agreed to participate and provided copies of the material to all of our employees with information on how voluntary contributions could be made. In all candor, we were far too occupied with the business of setting up the Institute to focus our efforts on this worthwhile project beyond bringing it to the attention of our staff. I was as surprised as I was pleased to learn subsequently that out of the more than 100 agencies, departments, and independent entities participating in the campaign, the United States Institute of Peace ranked *first* in the percentage by which it exceeded its assigned contribution goal. On the average, our staff members exceeded their assigned goals by more than 225 per cent. This is but one indication of the dedication, generosity, and voluntary spirit that characterizes the superb group of men and women who actually make the Institute work on a day-to-day basis.

I would be remiss if I did not also commend my colleagues on the Institute's Board of Directors for their dedication and seriousness of purpose. Our enabling legislation requires that we meet at least twice per year, but in practice the Board has met nearly two days per month since last February. On Thursday we will begin our third two-day Board meeting in less than two months. Although the workload might make it tempting to delegate the time-consuming task of reviewing grant applications to the Institute's staff, every grant application is reviewed carefully by members of the Board; and all decisions to approve, propose modifications in, reject, or defer action upon a grant proposal are made by the full Board of Directors following a formal review and recommendation by a committee of Board members. In addition, many of our in-house research projects are being conducted with the active participation of Board members.

Institute Programs and Activities

Let me turn now to a brief discussion of some of the Institute's activities and programs during its first year of active operation. In our charter, Congress identified three principal activities for the Institute: education, information, and research. These activities were to be implemented primarily by three types of programs: grantmaking, fellowships under the Jennings Randolph Program for International Peace, and Institute-directed projects. We believe that in our first year we have established a balanced series of programs that address each of these areas.

- Last July we announced the creation of our **Grants Program,** through which at least twenty-five per cent of our appropriated funds will be provided to nonprofit and official public institutions. Grants awarded to private individuals do not count toward this twenty-five per cent requirement. Nearly 6,000 grant applications have already been mailed out to prospective applicants, and more than 200 completed applications have been received as of this morning. Of these, the Board of Directors has acted upon 160 and has approved, at least conditionally, 37 grants for a total of slightly more than $1,000,000. We continue to receive and review one-to-two-foot-high stacks of new proposals each month.
- While six of our Board members were participating in the Stanford colloquium, I stayed behind in order to participate in the first part of a major symposium series we are presenting in collaboration with the State Department's Foreign Service Institute on "**Conflict and Peacemaking in Multi-Ethnic Societies.**" The series will include case studies of Switzerland, Belgium, Canada, Malaysia, South Africa, Sri Lanka, Lebanon, Cyprus, and Northern Ireland.
- We have just announced the selection of our initial group of eight **Jennings Randolph Fellows** in the Jennings Randolph Program for International Peace. The Jennings Randolph Fellows are the most distinguished of three categories of fellowships that will be offered by the

Institute, and preparations are actively underway to announce a competitive process for the selection of future Institute fellows. We believe our initial group reflects with great credit upon the Institute and will enhance the attractiveness of the program for future applicants and participants.

- Several **Institute-directed projects** are now underway. The first, and perhaps the most important, is the development of an intellectual and programmatic map of the field of international conflict resolution. We have instituted a series of public colloquia with leading scholars and experts from around the nation. The first session in this series took place in December 1986 in the Russell Senate Office Building. In mid-February two additional days of public discussions with experts on international peace and conflict management were held at Stanford University in Calfornia. A third session will take place later this week in connection with the March meeting of our Board of Directors.

- Several additional **Institute-directed projects** are just getting started. We are going to examine the problems of covert and low-intensity international aggression, and ways in which the United Nations Charter and international law might be strengthened to deal with such conflicts. We are also preparing to announce a **national high school essay contest,** which will encourage student publications to include student-written essays on the problems of international peace and conflict management. As an incentive, the Institute will offer prizes to both the writers of the best essays in each state and the student publications in which they appear. It is our hope that this will become a regular Institute project to encourage students to consider these important issues.

We are beginning several other programs, as well, and they are discussed on pages 7 to 9 of the presentation materials we have provided the Subcommittee. While we recognize that we still have a great deal of fundamental work ahead of us, we believe we have made a good start and that our programs are carefully designed and are worthy of support.

FY 1988 Budget Request

For Fiscal Year 1988 the Institute is requesting an appropriation of $10,000,000. This is a significant increase over the approximately $4,125,000 in the Institute's current budget, but is the precise amount that Congress has *twice* authorized for the Institute's second year of active operation. We believe it is an appropriate--and, indeed, by comparison with other federally-established entities with programs in some respects similar to the Institute's, a modest[5]--increase for a new organization shifting from startup to full operational phase.

The Subcommittee at this time has before it two budget requests for the Institute of Peace. The President's FY 1988 Budget proposes an appropriation of $3,310,000, which is 33 per cent of the sum authorized by Congress for FY 1988 and a reduction of about 20 per cent in the amount the Institute has available for the current fiscal year.[6] The Institute's Board of Directors has requested an FY 1988 appropriation of $10,000,000, which is the authorized sum and constitutes approximately a 142 per cent increase in the Institute's current FY 1987 operating budget.[7]

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[5] Although comparisons between organizations are always difficult to make, it is perhaps worth noting that other federally-established institutions with objectives in some ways similar to those of the Institute of Peace have tended to grow rapidly in their early years following a one or two year startup period. For example, the National Science Foundation began in Fiscal Year 1952 with an appropriation of $3,500,000, and received budget increases averaging greater than 170 per cent annually during the first five years (to $40,000,000) and 740 per cent per year during the first decade (to $263,000,000). The National Endowment for the Humanities, first funded in fiscal year 1966, received an average increase in appropriations of greater than 160 per cent per year during its first fifteen years (from $5,850,000 to $150,100,000). The National Endowment for the Arts received appropriations increases averaging more than 1,300 per cent per year during its first five years, and 2,100 per cent during its first decade.

By way of comparison, the five year projected budget of the U.S. Institute of Peace envisions an average annual rate of increase in the range of 30 to 50 per cent per year. Our current out-year projections, as approved by the Board and provided to OMB last November, are as follows:

FY 1989	$13,000,000
FY 1990	$16,000,000
FY 1991	$20,000,000
FY 1992	$25,000,000

These are obviously rough projections, as our long-term programs are still in the formative stage.

[6] The United States Institute of Peace Act provided authorization for appropriations for $6,000,000 for FY 1985 and $10,000,000 for FY 1986. Because it was clear that the Institute would not be established until well after the start of FY 1985, the Congress appropriated $4,000,000 for FY 1985. That sum remained available through FY 1986. The President's FY 1987 budget, which was submitted to Congress before the Institute's first Board of Directors took office, requested an appropriation of $1,250,000--on the assumption that $2,000,000 from the earlier appropriation would still be unobligated at the end of FY 1986 and could be transferred to the Institute's Endowment for use during FY 1987. The Institute had only been in active operation for a matter of days when we came before the Subcommittee last year (our staff of three moved into our first office ten days before the hearing), and we were simply not in a position to make a serious budget proposal until certain key decisions were made concerning the Institute's direction and level of activity. This Subcommittee and the full Senate Appropriations Committee approved the $1,250,000 requested in the President's budget for FY 1987. However, after it became apparent that the Institute would be able to carry over approximately $3,500,000 from its earlier appropriation, the Congress instead appropriated an additional $625,000--a sum sufficient to sustain an FY 1987 budget of something over $4,125,000.

[7] The requested sum is technically a 1,600 per cent increase over the FY 1987 appropriations level. This figure, however, is clearly misleading. As explained in note 6, above, the FY 1987 appropriation level was established with the knowledge that the Institute would have available for obligation during FY 1987 approximately $3,500,000 from the earlier appropriation.

A budget summary for FY 1988 appears on page 40 of the USIP budget presentation document you have before you. Approximately 45 per cent of the Institute's request would be allocated to the making of external grants, and another 12 per cent would support the three fellowship programs under the recently established Jennings Randolph Program for International Peace. A little more than 19 per cent of the balance would go to funding a variety of research, education, training, and outreach programs carried out as Institute-directed projects. Approximately 23 per cent of the budget is designated for personnel and operating costs. While it is typical for newly established organizations to go through a period of relatively high initial administrative costs, it is our strong desire to bring these costs down within the next few years.

The Institute has continued its commitment to frugality in handling public funds. By comparative shopping we were able to obtain our word processing system at a savings of between 11 and 22 per cent over the government price negotiated by the General Services Administration. In our grants program we have been particularly careful in scrutinizing "indirect" administrative costs, which are often as high as 20-40 per cent in government negotiated contracts. We have served notice that the work of the Institute is far too important to expend its limited resources on carpeting faculty lounges or on other purposes not directly connected with the project being funded; and, as a result of careful negotiations, more than 90 per cent of our successful grant applicants have agreed to forego all such indirect costs. In no case have we approved indirect costs in excess of 10 per cent.

Conclusion

We are proud of the Institute's accomplishments during our first year of active operation. We believe our record is a good one and has been achieved efficiently with appropriate regard for the cost to the American taxpayers.

We recognize that these are difficult years, and that the Subcommittee is being asked to chose from among many highly worthwhile programs. We hope you will agree that scholarly efforts to understand the causes of international armed conflict and to develop alternative means of managing such disputes is an important and appropriate function of the federal government, and that our request--which amounts to less than five cents per citizen--is not an exorbitant sum to devote to that end.

Mr. Chairman, this concludes my formal statement. We would be happy to try to answer any questions which you or the subcommitttee might have at this time.

UNITED STATES INSTITUTE OF PEACE

	1987 Actual	1987 Proposed Adjustments	1987 Revised	1988 Pres. Request	1988 Agency Request	1988 Pres. Req. Compared to		1988 Agency Req. Compared to	
						1987 Actual	1987 Revised	1987 Actual	1987 Revised
Budget Authority	625*	-0-	-0-	3,310	10,000	+2,685	-0-	+9,375	-0-
Outlays	625	-0-	-0-	3,310	9,700				
FTE	10			11	33				

*The FY 1987 appropriation of $625,000 was in addition to $3,500,000 available for Institute activities from prior year funds.

BIOGRAPHY OF JOHN NORTON MOORE

John Norton Moore, Chairman of the Board of the United States Institute of Peace, is Walter L. Brown Professor of Law at the University of Virginia School of Law, where he also serves as Director of the Center for Law and National Security. He is a former Counselor on International Law to the Department of State; United States Ambassador to the Third United Nations Conference on the Law of the Sea; Deputy Special Representative of the President to the Law of the Sea Conference; Chairman of the National Security Council Interagency Task Force on the Law of the Sea; and Special Counsel for the United States, arguing two cases before the International Court of Justice. He has been a member of the National Advisory Committee on Oceans and Atmosphere; a member of the United States Delegation to the Conference on Security and Cooperation in Europe, Chairman of the American Bar Association's Standing Committee on Law and National Security; a member of the Board of Editors of the *American Journal of International Law*; and a Fellow of the Woodrow Wilson International Center for Scholars. He is the author of numerous books on law and armed conflict, including *Law and the Indo-China War, The Arab-Israeli Conflict,* and *Law and Civil War in the Modern World.*

BIOGRAPHY OF ROBERT F. TURNER

Robert F. Turner, President of the United States Institute of Peace, received his law degree from the University of Virginia and has done graduate work in Government, History, and Foreign Affairs at Stanford and Virginia. He has worked in both the legislative and executive branches of the federal government, including five years as national security legislative assistant to Senator Robert P. Griffin--a member of the Senate Committee on Foreign Relations. He has also served as Counsel to the President's Intelligence Oversight Board and as Principal Deputy Assistant Secretary of State. He serves on the ABA Standing Committee on Law and National Security, and chaired for three terms the ABA Committee on Executive-Congressional Relations. He is a former Senior Editor of the *Virginia Journal of International Law,* and is the author or co-author of six books and monographs dealing with law and foreign affairs, including: *Vietnamese Communism: Its Origins and Development*; *The War Powers Resolution: Its Implementation in Theory and Practice*; *International Law and the Brezhnev Doctrine* (forthcoming); and *Congress, the Constitution, and Foreign Affairs* (forthcoming).

CHALLENGE BEFORE THE INSTITUTE

Mr. MOORE. Chairman Harkin, thank you for the opportunity to appear before this committee on behalf of the newly established U.S. Institute of Peace. We appreciate your placing our prepared remarks in the record.

With your permission, I would like to simply focus on three points that I hope will be useful to the committee as it goes about its extraordinarily difficult task of allocating scarce taxpayer resources to a variety of very worthwhile and important endeavors.

The first of those, Mr. Chairman, is that the U.S. Institute of Peace was established by Congress to deal with one of the most important, intractible and difficult problems facing mankind, that of war among nations and how we seek to lessen violent conflict in international relations.

The U.S. Institute of Peace was established to make a significant contribution by seeking to enhance our levels of human knowledge, the caliber of research, and the caliber of education about war/peace processes and conflict management.

It was established in the great tradition of the Peace Corps and of the Woodrow Wilson International Center for Scholars, among others, all designed to be of the highest intellectual caliber, to be institutes that are nonpartisan, that are nonpolitical and that seek to simply tackle the problems and to enhance our level of knowledge about them. What we do, Mr. Chairman, as you have clearly illustrated in your opening statement, affects all Americans.

CRUCIAL FORMATIVE PERIOD

The second point, Mr. Chairman, is that we are in a critical formative period in the work of the U.S. Institute of Peace. I believe that what happens in funding levels this year will probably be the most important funding decision with respect to the Institute of Peace in its entire history. We have just completed our first full year with a Board that has been sworn in and operating.

We are aware, Mr. Chairman, that because of the sensitivity of the subject matter with which we deal, it is inevitable that any new institute, in order to deal seriously with these problems, will indeed create concerns and expectations on the part of many with differing views, and there are concerns, I think, that we have been aware of from all directions.

We have, because of that, understood that we have a special obligation to undertake the work of the U.S. Institute of Peace in the most careful, nonpolitical way, consistent with the intent of Congress and the highest fiscal and ethical standards. We have sought, Mr. Chairman, very diligently to do precisely that in our first year of operation. Frankly, I am very pleased, Mr. Chairman, to report to you that I believe the Board has done a very fine job in getting this new fledgling institute underway.

We have paid substantial attention to the fiscal and the administrative side and put in place a very good administrative structure. We have brought onboard Arthur Young, a firm that is serving as a consultant to advise us as to the highest standards of how we are accounting for our funds and examining our expenditures on funds.

We have sought on the programmatic side to vigorously move forward with the programs that Congress intended, and we have already obligated more than $1 million in grants. We have named our first series of Jennings Randolph fellows that I believe are an extraordinary group with great talent that will set a very fine precedent for the Institute.

In addition to that, we have moved forward with some very important in-house programmatic research efforts.

FUNDING LEVEL NEEDED

The third point I would like to make, Mr. Chairman, is simply that if we are to fund programs as opposed to a certain minimal necessary infrastructure and overhead, then we are going to need the level of funding of approximately the $10 million as opposed to the lower level of funding.

Let me simply give you one example. At the present time in our first full fiscal year of operation, we will actually have a budget of about $1.682 million for grants. That will be roughly less than 4 percent of the actual grant applications put to us. If we were to shift to a $3.31 million budget, we estimate that we would have to reduce that programmatic side by approximately 50 percent, if not more.

So we would find ourselves in our first full year of operation moving to cut a program which has only been able to respond to approximately 4 percent of the grant applications presented to it at a time when we have had no publicity or effort at the kind of information flow that we are now simply moving into as an entity.

On the other hand, if we go to the larger budget, we would shift to about a $4.53 million grant budget, so that what we are doing is flowing through directly to the bottom line on program and not on overhead and that is the difference between these two budgets.

Finally, Mr. Chairman, let me just emphasize that twice the Congress of the United States that has created this Institute has authorized us at a level of $10 million. We seek, in this critically important year for the operation of the Institute, to be funded at that authorization level.

Let me perhaps just make one other point as an aside as well. As the Chairman of the Board, I personally believe that this issue of the funding level of the U.S. Institute of Peace will be the single most important decision affecting this Institute in its early existence and certainly facing the Institute at the present time.

Thank you, Mr. Chairman.

Senator HARKIN. Thank you, Mr. Moore.

President Turner, did you have anything you might want to add to that, any observations?

Mr. TURNER. No, sir, Mr. Chairman.

Senator HARKIN. I remember discussing this with you last year at the witness table. I just wondered if you had anything to add.

Mr. TURNER. Were the subcommittee not under the time constraints that it is, I would be happy to elaborate. We have given you longer statements, both a 90 some odd page budget document and also the Chairman's statement, but in the interest of time I think we are ready for questions.

Senator HARKIN. OK, thank you.

I would first like to begin my questions with a brief statement of strong support for the U.S. Institute of Peace. I believe that the Institute has made some important progress and, as you have put it, Mr. Moore, preparing the way for full implementation of its substantive programs.

I commend the Institute for requesting a fiscal year 1988 funding level much more appropriate to its purposes and potential than the level requested by the President—somewhat different than the National Commission on Libraries, I might add.

Having said this, I want to state openly my own concern that the Institute is not moving as expeditiously as it could to carry out the full intent of the law, and I am saying this personally. It seems that it has been less successful than I had hoped in seeking participation by a broad crosssection of our Nation in the study of peace.

Finally, I want to express my frustration in not having the Chairman's long overdue report on the progress of the Institute which this subcommittee needed to adequately prepare for today's hearing.

OUTREACH

I have a few questions. The first is an outreach question. I want to address the subject of the Institute's responsibility for developing programs to make international peace and conflict resolution, research, education, and training more available to citizens, agencies and voluntary associations.

As you know, the sections of the Peace Institute Act which detail your responsibilities for the dissemination of information are quite specific. They call on you not only to make information useful and available to the general public, but also to create handbooks and other practical materials.

I understand you have now been in existence for 1 year, but you have not published any brochures or newsletters. Will you please tell me what steps the Board of Directors has in mind for disseminating information in the fields of international peace and conflict resolution to scholars, Government personnel, and citizens around the world?

Mr. MOORE. Yes, thank you, Mr. Chairman. I welcome the opportunity to respond to that. I wonder if I might, though, just to make a comment on the initial preface to the question, because we are very concerned in everything that we do to reach a broad crosssection of Americans and to proceed with the highest levels of intellectual integrity, scholarship, and nonpartisan work in exactly the way that Congress intended.

So I would welcome any suggestions at any time from this committee or obviously any other source as well as to things that might be done.

CHAIRMAN'S REPORT

I might note that with respect to the Chairman's report, the statute basically contemplates a report every 2 years in the operation of the U.S. Institute of Peace. It was our judgment, Mr. Chairman, that there would not be much point in seeking to send down a report to the Hill until such time as programs had been developed. Those programs have been developed and are underway, and you are seeing the first fruits of that before you in the detailed budget document that has been prepared and presented to this committee.

We are, by the way, also not entirely sure that there is a legal obligation. Indeed, our reading of the act is that the report is to be begun at the end of the second year. As you know, for 1½ years there was no Board in place, but quite apart from that we believe that it requires us to prepare that report beginning at the end of that period of time.

Nevertheless, I understand your concern in getting it. We are working on it. We have been for some period of time. You will have a very detailed report, I hope, certainly within a matter of months, and I hope it is sooner than that.

INFORMATION FLOW

Now, dealing with the important question of information flow, Mr. Chairman, we deliberately did not start with the important mandate of information flow which is among our mandates. We did not because we felt that it was particularly important to establish this new Institute with a very strong foundation, a strong administrative base, a strong grants program, a strong Jennings Randolph Program and then begin to move into the information area.

We have in this budget, I am happy to say, a variety of very important information programs. They include our effort at preparing an intellectal map of the entire field of conflict studies with a series of conferences to be held on that. They include our interest in the area of television in terms of education generally; for example, a series that has been proposed on United States-Soviet relations that we hope could add a new standard of excellence and breadth and balance in terms of educational efforts.

We are planning a newsletter, and there is a funding item in there for the beginning of a newsletter that would basically disseminate the information that we have been working on.

We have been working on a brochure for some time. Again, we felt that it was very important to get in place the basic programs in some other areas. We had to start somewhere. We also felt there were some reasons to start elsewhere, but we completely understand the point that the information flow area is important. These are simply some of the illustrative programs, among others, that the Board is considering in that area.

STANFORD COLLOQUIUM

Senator HARKIN. Let me just follow that up, then. You had a recent colloquium at Stanford University.

Mr. MOORE. That is correct.

Senator HARKIN. What steps did you take, if any, to notify educators and citizens from around the country about that recent colloquium?

Mr. MOORE. Let me just say that, first, this is part of a broader series which is being begun which will be a series of hearings on every single major intellectual tradition we can identify to seek to add to knowledge about conflict, that they will be held in a variety of places, probably mostly Washington, and that while we have put out press releases and a press notice on that for the early hearings, my own assessment is it has not been broadly put out.

They have had the usual thing that goes nowhere of the Federal Register, frankly, Mr. Chairman. We have had the press releases, and I would also like to call on the President on this perhaps to fill in some other specifics as to what was done.

Senator HARKIN. The reason I asked that question is because I had been contacted by some individuals who found out about it after the fact and who probably would have attended had they known about it. These are not just people out in the middle of nowhere. These are people who have been identified as being the forefront of the support group for the Institute for Peace.

Mr. MOORE. I share the thrust of your question totally, Mr. Chairman, and I think the answer is we are simply in a formative period on this. It is the kind of thing we would hope to make known very widely and broadly, but let me just call on the President.

Mr. TURNER. I would like to address two points. As far as the report to the President and Congress, much of the content of that will be similar to the 94-page document we have submitted to you. This focuses more, obviously, on budget, but it includes a great deal of information about our ongoing programs that will in many respects be similar. We actually had to set that project aside in order to prepare this document for the committee. We are going right back to that. Let me talk about the Stanford hearing. Since it occurred we have identified on our own that one of its shortcomings was the lack of publicity. We have hired a consultant who is an expert on media relations and has a long experience in PBS and educational radio—who is going to give us advice on this type of thing in the future, on newsletters and public information.

In addition, in getting witnesses for those colloquia—we held four sessions, afternoon and morning on 2 days—we contacted a number of the institutes in the area such as the arms control group at Stanford, a comparable group at Berkeley, just in inviting speakers. We did not have as large an audience as we would have liked, but I was very pleased that when it was over a representative of one of the church peace groups who was in the audience asked to address the Board members who were there, spoke with glowing warmth about how impressed she was with the program, how much she enjoyed it, how much people in the area had waited to see the Institute created, and how basically pleased they were with the diversity of views that were expressed and the way the program had gone. So you are exactly right, there is still much to be done, but we think we have made a good start for an institute 1 year into its development.

BOARD HANDLING OF GRANT APPLICATIONS

Senator HARKIN. Thank you very much, Mr. Turner. Let me get to another subject that has come to my attention that is perhaps a little sensitive here, and that is the grant program. According to the National Peace Institute Foundation, and I am not carrying any water for them, but according to them—I guess they are an independent monitoring organization—approximately 70 percent of the funds awarded in the first group went to organizations affiliated with the Institute's Board of Directors.

In your statement, Mr. Moore, you said that every grant application is reviewed carefully by members of the Board. My question is, how does the process you use for grant selection avoid the appearance of or actual conflicts of interest on the part of the Board? I find it rather astounding if it is true that 70 percent of the funds went to organizations affiliated with the Institute's Board of Directors.

Is that unusual or is that not unusual?

Mr. MOORE. Mr. Chairman, let me just address first what the process is with respect to this, because I think that may answer the question without looking at statistics. The procedures that are used are scrupulously careful to avoid conflict of interest. I think that we need to remember that the starting point is our 15 Board members, a 16th with the President of the Institute being a nonvoting ex officio Board member. All, with the exception of the President, are part time, I think appropriately in terms of the congressional intent in this, and are going to be, hopefully, capable people who are on the boards and are affiliated with a very wide number of organizations in the United States. So it was inherent in what we do that there would have to be a procedure for Board members to carefully recuse themselves in regard to anything which comes before the Board that, in fact, either presents a conflict of interest or an appearance of a conflict of interest.

As the Chairman of the Board, I stressed with the Board members before we considered the first application presented to the Insitute of Peace, the importance of that and the importance of recusing themselves in any such setting. We have had a pattern of, as far as I can tell, extraordinary care by members of the Board in not only recusing themselves in settings of actual conflict or appearance of conflict, but of bending over backwards in any kind of setting which may even be potentially a gray area.

ALLEGATION OF IMPROPRIETY

Senator HARKIN. Would you not say that if 70 percent of grants went to organizations affiliated with members of the Board of Directors, there is indeed an appearance of a conflict of interest?

Mr. MOORE. I frankly would challenge that, Senator. I would be delighted on this to have our grants officer meet with you or any other staff, the staff of the committee.

Senator HARKIN. I would like to know if that is an actual figure. I would like to know if it is substantive or not.

Mr. MOORE. I do not know where that figure comes from, and I can tell you one thing, Senator, that is absolutely the case, and that is that there is no voting by Board members on any application whatsoever that would have anything to do with or an appearance of a conflict of interest with that Board member. We are following the most careful and scrupulous standards. Indeed, it is my judgment that there are standards going substantially beyond any kind of——

Senator HARKIN. Let me read you some information I have here. This committee has been informed that the Institute made 10 grants in December that could total $337,304. Four of the largest of these, or at least 69 percent of all the funds, went to organizations affiliated with members of the Institute's Board of Directors. They include $56,000 to the State Department, represented by Richard Schifter, $25,500 for a joint venture grant with the Arms Control and Disarmament Agency, represented by Kenneth Adelman, to the Lehrman Institute of New York, $91,400 to the James Madison Foundation represented by Evron Kirkpatrick, and $58,704 to the Foreign Policy Research Institute, represented by William Kintner.

Mr. MOORE. I am delighted that we are getting down to specifics, Mr. Chairman, because I think there is an absolutely clear and persuasive answer in every single one of these cases, and as Chairman I would insist on it being clear. The answers are as follows. I will simply go through them.

First, with respect to a grant that was made to the Center for the Study of Foreign Affairs, at the Foreign Service Institute of the U.S. Department of State, the U.S. Institute of Peace Act makes it absolutely clear that one of the things that the Institute of Peace is to do as part of its public function, as part of its mandate under the act, is to cooperate in appropriate ways with U.S. Government agencies. We have by law a representative of the Secretary of State on the Board. It is entirely appropriate under the act specifically for that person to participate in Board decisions concerning the Department of State. We will always have a representative of the Secretary of State on the Board. If we were to follow a policy that we could give nothing to the Foreign Service Institute or not do anything in cooperation with the Department of State, it would be a policy to utterly gut the U.S. Institute of Peace and its effectiveness.

That is exactly the same answer with respect to the Arms Control and Disarmament Agency project. Once again, by law, we have a representative, the Director of the Arms Control and Disarmament Agency, on the Board. The act specifically approves the Director's participation in decisions affecting ACDA. He urged that we spend funds and consider the question of a Lehrman grant, which we did. Not a penny, by the way, went to ACDA, but it was something that they were interested in and also partly funded, and we sought to cooperate—again in the highest tradition and exactly as required and permitted by the Institute of Peace Act. Anything else would be a rule that institutionally we would never be able to cooperate and work with the Arms Control and Disarmanent Agency.

With respect to the grant on the James Madison Foundation, I happened to check that one specifically before coming up here. Dr. Kirkpatrick recused himself from all consideration in that grant.

Now, the last one was the Foreign Policy Research Institute, and I believe that was one in which you indicated Ambassador Kintner had an involvement. That was the case in past years, and Ambassador Kintner recused himself from consideration of that grant. This is an area, Mr. Chairman, where we do not want anything to be even mildly fuzzy. We want the clearest record, absolutely, on the integrity and the ethics involved in dealing with these grants.

OUTSIDE REVIEW GROUPS

Senator HARKIN. Well, any time you have a board on which someone excuses himself from consideration, perhaps the other people, too, have something that they want when that person is going to be sitting on it, and when they have to excuse themselves. You know how boards work like that. I guess what I am concerned about is that appearance of a conflict of interest, and—the reason I raise these questions, I am just wondering if the Institute might consider another alternative rather than the detailed involvement by the Board in the awarding of grants. I understand that other institutions such as the Smithsonian Institution, for example, bring in people from the outside in awarding grants and they set up a separate entity sort of like a review group that decides, rather than just having the Board of Directors, because in that case their Board of Directors is involved in a lot of other institutions, agencies, and independent groups. So to get over that appearance of a conflict of interest, they used another procedure, and I am wondering if perhaps the Institute might consider doing that.

Mr. MOORE. We certainly will look at and take under advisement all possibilities as we go forward. But let me make a comment. And that is that every procedure that one looks at is going to have some degree of problem associated with it. A procedure that staff solely review and pass on applications or a procedure that outside consultants solely review and pass on applications: both have a number of drawbacks. One is that they lose the public confidence that those who are nominated by the President and confirmed by the Senate through successive administrations are actually the ones deciding on the grants. And indeed, we had as a Board felt that it was a very substantial advantage, something that we do not have a lot of time for as a Board and yet we made the time to individually consider grants. That is one of the flip sides.

As part of that, I think we need to also consider that, if you are going to get able people to be associated with the U.S. Institute of Peace, those people collectively as a Board of 15 or 16 are going to have some associations collectively with probably 200 to 500 kinds of organizations. To rule those organizations out because someone is concerned that in the past someone has been a member of an organization, in contrast to establishing a clear obligation and pattern of recusal and noninvolvement in the decision, it seems to me, Mr. Chairman, would be something that would be very harmful to the overall integrity and purpose of the U.S. Institute of Peace and unfair to the organizations that then would find their applications excluded.

Senator HARKIN. Well, all I know is that when 70 percent or 69 percent of the funds went to organizations affiliated with the Board of Directors, the appearance of a conflict of interest is there. You can deny it, and you can say there are all kinds of answers and stuff, but the appearance is there, and people will continue to raise questions about it, and I am just asking if perhaps the Institute might want to consider another alternative in that regard. Last, I just wanted to make one thing clear, that you are mandated by law to have a representative of the State Department, but there is no mandate that you give any money at all to the State Department.

Mr. MOORE. That is correct, but there is also a mandate, Senator, in the act in terms of the Institute's ability to cooperate with other agencies of the Government. Let me ask my colleague, President Turner, who has been looking at that particular part of the act, to comment on it.

STATUTORY PROVISION ON CONFLICT OF INTEREST

Mr. TURNER. Mr. Chairman, as you know, I am not a voting member of the Board. I do sit on the Board in an ex officio capacity. I would call your attention to section 1706(g) of our statute which sets forth the conflict of interest standard and expressly exempts the Government ex officio members from recusal on decisions affecting their agencies. It is our understanding that Congress intended the representative of the Department of State to be able to vote on whether we had some connection with the Department of State. I have not seen the 70-percent figure. I have attended the meetings, and I have been tremendously impressed by the standard the Board members have imposed on themselves concerning recusal.

I have had several members come to me with very elaborate relationships—where a member of the Board of Directors on which they serve also serves on the board of a group that has applied—and the practice is that they have recused themselves voluntarily. I have watched especially the Chairman of the Board do that, if he knows people who have applied. There have been a number of grant requests or proposals that have come in from groups that have also had some connection with the Institute that have been turned down. I think if you saw the entire picture, you would agree with me that there has been no evidence at all of impropriety in this area.

Senator HARKIN. I am not saying that there is. I am just saying that when 70 percent of the money goes people are going to raise questions, OK, and organizations who have submitted grant proposals who do not have the benefit of having one of their members on the Board of Directors are obviously going to raise very serious questions about it.

MONITORING WELCOMED

Mr. MOORE. Mr. Chairman, might I say that, in a democratic society and particularly for those of us in the Institute of Peace, we are aware of the sensitivity and interest across the board in our operations and expect to be carefully monitored. We welcome it. We are not troubled by it. It will be something that we want, but let me also say it seems to me when there are clear and persuasive answers, that it is important for us also to establish those on the record and broadly disseminate those as well, so that there will not be any kind of lingering cloud with respect to this kind of issue.

Let me also say that I suspect you would find the same kind of statistical pattern with the grants turned down as well.

Senator HARKIN. Thank you.

Mr. TURNER. I am just looking through our latest press release of March 2 on grants and I can find one or two in here that may have somebody on the Board who is connected in some way or has been in the past; but the 70-percent figure I find totally unbelievable as I look through this, unless they are talking about somebody who had a roommate as an undergraduate or later attended a graduate school at a college with an applicant. Several of these are to individuals and others are to institutions such as Columbia University, American University, and so forth.

Senator HARKIN. I will submit those to you and you can take a look at them. Thank you both very much.

I am sorry to take so long, but the Peace Institute is an important project, and I have a great interest in it.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

There will be some additional questions from various Senators which we would like you to respond to for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Mr. CHILES. Mr. Turner, how does academic research in the field of peace studies yield real results in avoiding military conflicts?

Mr. TURNER. The Institute has taken a broad view of the term "peace studies," and includes therein relevant work in history, international relations, political science, negotiation theory, law, psychology, economics, and a wide range of other fields as well. Academic research provides important insight into ideas and experience, both of which can assist in understanding other peoples and nations and in resolving international conflicts without recourse to violence. Through understanding history, mankind can reduce the likelihood of repeating past errors. Through studying comparative politics and the ideas and experiences of allies and potential adversaries, we can better understand their needs, expectations, and ambitions. This obviously will not solve all international problems which might lead to military hostilities, but it will promote the peaceful resolution of many which result from ignorance, miscalculation, and misunderstanding. Legal scholarship can assist us in developing regimes of international behavior which promote fairness and provide means of dispute resolution without violence. Academic studies on the theories of negotiations may result in better trained and more effective managers of potentially violent conflicts.

Mr. CHILES. Can you give us some concrete examples?

Mr. TURNER. There is a substantial body of evidence that academic research can assist in understanding why people resort to violence, and in developing techniques--such as negotiation and mediation--which can be used in training programs to produce concrete results. Some of this evidence is summarized in the 1981 Report of the Commission on Proposals for the National Academy of Peace and Conflict Resolution to the President of the United States and the Senate and House of Representatives of the United States Congress, entitled *To Establish The United States Academy of Peace*, which is often referred to as the report of the Matsunaga Commission. (See, for example, the statements of Richard D. Fincher of the American Arbitration Association and Dr. Wayne Horvitz of the Federal Mediation and Conciliation Service, which are referenced on page 140 of the Matsunaga Commission report and in the Selected Bibliography on pages 335-369.)

It seems equally clear that academic research can play an important role in resolving international conflict without resort to military conflict. In his testimony before the Matsunaga Commission, Harvard

Professor Richard Pipes stressed the important lessons that can be drawn by studying the history of U.S.-Soviet negotiations over the past few decades. Other important work on the subject of negotiations has been conducted by Harvard Law Professor Roger Fisher (author of *International Mediation: A Working Guide; Points of Choice: International Crisis and The Role of Law;* and *International Conflict and Behavioral Science*), and Dr. Fred C. Iklé (author of *Every War Must End,* and *How Nations Negotiate*) and others.

To take another example, in my own field of international law, academic research and scholarly writings have had a dramatic impact in a variety of areas--ranging from the refinement of theories prohibiting the use of force in international relations—ideas later embodied in the U.N. and O.A.S. Charters—to innovative approaches to resolving problems involving ocean resources which might easily lead to military conflict.

One need only examine the writings of Hugo Grotius, Francis Lieber, Immanuel Kant, Henri Dunant, Elihu Root, and Quincy Wright—to mention just a few—to see the positive impact of ideas set forth in books in preventing or mitigating the horror of international armed conflict.

PERMANENT AVAILABILITY OF FUNDS

Mr. CHILES. Gentlemen, you have utilized the special Endowment authority to ensure that the funds appropriated for the Institute for FY 1985 did not lapse. As a result of your new authorization passed this last fall, funds now made available to the Institute shall remain available until expended. If we agree to your request for a 138 percent increase, would you anticipate the full $10 million to be expended in 1988.

Mr. TURNER. Yes sir. We anticipate that the full $10 million would be obligated or expended during FY 1988.

JENNINGS RANDOLPH PROGRAM FOR INTERNATIONAL PEACE

Mr. CHILES. What is the Jennings Randolph Program for International Peace and what percentage of the Peace Institute's resources will it have a claim on? Has the program been started yet, and how many fellows will it support in 1987 and subsequent years?

Mr. TURNER. The United States Institute of Peace Act provides, in Section 1705(b), that:

> The Institute, acting through the Board, may—
>
> (1) establish a Jennings Randolph Program for International Peace and appoint, for periods up to two years, scholars and leaders in peace from the United States and abroad to pursue scholarly inquiry and other appropriate forms of communication on international peace and conflict resolution and, as appropriate, provide stipends, grants, fellowships, and other support to the leaders and scholars.

The Jennings Randolph Program for International Peace was named in honor of former United States Senator Jennings Randolph, who, throughout his career in the United States Congress, which began in 1933, was tireless in his efforts to establish a national institution devoted to increasing human knowledge and skill in pursuing peace among nations. The Institute works with three major program areas: outreach through grants, projects directed by the Institute itself, and in-residence and out-of-residence support to individual scholars and leaders in peace through the Jennings Randolph Program. The Jennings Randolph Program is composed of three levels. First and most senior are Jennings Randolph Distinguished Fellows. Second are United States Institute of Peace Fellows. This component will, in many respects, be similar to the fellowships provided by the Woodrow Wilson International Center for Scholars. And third are United States Institute of Peace Scholars. This tier will provide an out-of-residence opportunity of dissertation support to Ph.D. candidates.

In February 1987, the Institute launched the program with the announcement of the selection of the first eight Jennings Randolph Distinguished Fellows. In breadth and variety, they and the work they will undertake offer an excellent preview of the quality and distinction we anticipate for the program. The initial group of Distinguished Fellows represents the fields of diplomacy, international organizations, education, international law, the humanities, and theology. Five are citizens of the United States and three are foreign nationals—from the Netherlands, Great Britain, and the Sudan. The eight are:

- Ambassador Francis Deng. Formerly the Sudan's Minister of State for Foreign Affairs and its Ambassador to the United States, Canada and Scandinavia, Mr. Deng received his LL.B. from the Faculty of Law at Khartoum University and holds a J.S.D. degree from the Yale Law School. Ambassador Deng has taught at New York, Columbia, and Yale Universities and has been a Fellow at the Woodrow Wilson Center and the Rockefeller Brothers Fund. The author of eleven books, Ambassador Deng will join the Institute for a two-year, half-time, in-residence fellowship to work on a book tentatively titled, *Myths and Realities: Crises of Identity and the Prospects for Peace and Unity in the Sudan.*

- Professor Rosalyn Higgins. Professor Higgins is currently Professor of International Law at the University of London and previously taught international law at the Universities of Kent, Stanford, and Yale. A past Vice President of the American Society of International Law, she is currently a member of the United Nations Human Rights Committee and serves on the Board of Editors of the *American Journal of International Law,* the *British Yearbook of International Law,* and other publications. Professor Higgins has written a number of books, and plans to use her time as a part-time, out-of-residence, Distinguished Fellow over the next two years to work on a study on "The Next Generation of U.N. Studies: A Programme for Teaching and Research," and to do preparatory work on the fifth volume of her series for Oxford University Press, *U.N. Peacekeeping: Documents and Commentary.*

- Professor David Little. Professor Little is presently the Henry R. Luce Visiting Professor at Haverford College, while on leave from his position as Professor of Religious Studies at the University of Virginia. He was previously Professor of Christian Ethics at Yale Divinity School. The author of numerous articles and four books, including *Religion, Order and Law,* Professor Little will join the Institute for a full-time, in-residence period of one year to prepare a book tentatively titled, *In Pursuit of a Just Peace: Legal and Moral Dilemmas of Promoting Human Rights in Situations of Armed Conflict.*

- Professor Myres McDougal. Sterling Professor Emeritus at Yale Law School, Professor McDougal received his education at the University of Mississippi, Yale Law School, and Oxford University, where he was a Rhodes Scholar. He is former President and Honorary President of the American Society of International Law, and also served as President of the Association of American Law Schools. The only American to receive both the Hudson Medal from the American Society of International Law and the Read Medal from the Canadian Council of International Law, Professor McDougal served in 1969 on the United States delegation to the U.N. Conference on the Law of Treaties in Vienna. He also has been a member of the Permanent Court of Arbitration. Professor McDougal will add to the impressive number of books he has authored by spending his two-year, part-time, out-of-residence fellowship finishing a two-volume work on *The Global Constitutive Process of Authoritative Decison.*

- The Honorable Bradford Morse. A former attorney and law professor, Mr. Morse served for more than a decade as a member of the United States House of Representatives, where he was a member of the Foreign Affairs Committee and Chairman of Members of Congress for Peace Thorugh Law. In 1972, Mr. Morse resigned as a Member of Congress to succeed Dr. Ralph Bunche as Under Secretary General of the United Nations. He was later appointed Director of the U.N. Development Programme, and he headed the U.N. Office for Emergency Operations in Africa. As a two-year, part-time, out-of-residence Distinguished Fellow, Mr. Morse will examine the impact of development and other economic issues on international peace, and the role of international organizations in fostering peace among nations.

- Professor Eugene Rostow. Professor Rostow has served as Dean of Yale Law School, Under Secretary of State for Political Affairs, and Director of the United States Arms Control and Disarmament Agency. The author of a number of books, Professor Rostow will divide his activity as a Distinguished Fellow into two phases: a three-month, part-time, out-of-residence period between August and October 1987, and a twenty-one-month, full-time, in-residence period beginning in July 1988. In both, he will work on a book tentatively entitled, *Aggression and Self-Defense.*
- Professor Paul Seabury. Dr. Seabury is a Professor of Political Science at the University of California at Berkeley and the author of nearly a dozen books on foreign policy issues. Professor Seabury will be a full-time, nine month, in-residence Distinguished Fellow beginning in August 1987, and will work on a book manuscript addressing *Proxies in Low Intensity Warfare.*

- Ambassador Max van der Stoel. Holder of two law degrees from Leyden University, Ambassador van der Stoel has held a wide variety of posts in the government of the Netherlands, including: Foreign Minister; Permanent Representative to the U.N.; membership of the Council of State; and membership in both houses of the Dutch parliament—including service as Chairman of the

Standing Committee for Foreign Affairs of the Lower House. He has been Chairman of the Board of both the Institute of Social Studies and the Netherlands Institute for Peace Problems. Ambassador van der Stoel has also been a member of the European Parliament and the U.N. Commission on Human Rights. As a two-year, part-time, out-of-residence Distinguished Fellow, he will study cooperation between the United States and Western Europe and its effect on the promotion of international peace.

This is still a new program, and our cost projections are therefore somewhat preliminary. We currently estimate the average cost of each Jennings Randolph Distinguished Fellow to be about $60,000. The estimated cost for each United States Institute of Peace Fellow is $40,000. For the two kinds of fellowships, these estimates would provide stipend, travel, and limited specialized support and would allow for a mix of full-time and part-time participation and in- and out-of-residence status. The estimated cost of each United States Institute of Peace Scholar is $20,000. Staff operational costs are not included in the estimates.

In terms of a percentage of the Institute's resources, we project that the Randolph Program will receive about 12 per cent of the FY 1987 budget, and about 12 per cent of the FY 1988 budget. As all three phases of the program become fully operational in the coming years, we anticipate that about 20 per cent of our annual appropriations will be allocated for this important part of our work.

TELEVISION SERIES

Mr. CHILES. Gentlemen, you are requesting $700,000 for the development of a televison series. Please explain your plans for this activity.

Mr. TURNER. The Institute's budget for Fiscal Year 1988 includes the sum of $700,000 for continued activity on an educational television series on U.S.-Soviet relations. The proposed funding for FY 1988 represents our current preliminary estimates of the cost of producing two programs of one hour each during the year.

The FY 1988 budget was drawn up with a careful assessment of the complexity of producing such a series at the level of quality and scholarship we desire. We recognize that this is a substantial commitment of public funds, and we are proceeding with appropriate care. Our FY 1987 budget allocates $275,000 for this project, to support activity in developing a single program which would be a pilot for the longer series.

The pilot is being planned on the subject of U.S.-Soviet summitry. The pilot is envisioned as having significant educational materials built around it. Once we have completed the pilot program, we will have a more precise understanding of the financial and time demands of a longer series.

Our initial planning on the series is continuing. We have begun the process of forming an Advisory Group of experts—composed of scholars and those whose service in governmental positions has given them direct experience in dealing with the relevant issues—to help guide us through our initial deliberations as well as longer-range planning. We also plan to seek the advice and perhaps the active participation of the Smithsonian Institution's Woodrow Wilson International Center for Scholars on the possibility of our working jointly in planning and implementing the pilot program.

At present, we are assuming that the final series will probably be six to eight programs in length. Its final length will depend upon the decisions made by our Board on topics and overall approach; these decisions will be made after the Board has received expert advice and guidance and has had the experience of producing the pilot. Cost is obviously a critical issue, and we hope to keep the costs down sufficiently to be able to produce two programs a year for about the amount of money set aside in the FY88 budget. This amount has been described to us by experienced producers of public and educational television programming as "modest" budgeting for the quality and uses to which the series aspires. If our initial plan proves practical, this timetable means that the series will be completed in the FY 1990-91 time period.

If, after reviewing the demands of developing and producing the pilot program and for whatever combination of reasons, the Board decides not to proceed with a longer series, the FY 1988 funds will be reprogrammed.

BOARD MEMBERS

Mr. CHILES. Gentlemen, I understand that the terms of a number of Board members will expire within the next year. As you know, the Administration has been criticized for failing to appoint to the Board a diverse group with professional experience in conflict resolution. Are you aware of any interest at the White House to use these upcoming vacancies as a way to appoint members from the business community, the labor community, the human rights community, or professionals in the field of conflict resolution?

Mr. TURNER. As you know, the nomination and appointment powers are vested in the President of the United States, subject to the advice and consent of the Senate. We are not certain what decisions the President will make. However, we believe the criticism of the current Board is unjustified. We believe the current Board consists of a distinguished group of individuals who bring a great deal of diversity and expertise to the job. As we noted during last year's congressional testimony, the initial group of Board members earned more than twenty-five advanced degrees and published more than fifty books and monographs--the large majority on issues of direct relevance to the work of the Institute. The Board includes among its ranks distinguished representatives from the fields of political science, history, international relations, arms control, diplomacy, international law, theology, engineering, and other related fields. Several Board members have background experience in business, and the field of human rights is represented by the Assistant Secretary of State for Human Rights and Humanitarian Affairs as well as by others who have been active in human rights for many years. The Board includes the President of the American Peace Society, which is the oldest peace organization in the United States. The 1986 United Nations Peace Prize was awarded to another member of the Institute's Board for his work in promoting peace in Central American and the Philippines. While we would of course welcome members of the labor community, or many other groups, the reality is that the current Board possesses wide scope in experience and contacts and is extremely well qualified to direct the work of the Institute.

GRANT AWARDS TO OTHER FEDERAL AGENCIES

Mr. CHILES. I noticed that in your first round of grants you awarded 16 percent of the total, a $56,000 grant, to an office of the State Department. Why are you awarding grants to other Federal agencies? Are you continuing to consider grant proposals from other Federal agencies?

Mr. TURNER. We believe that Congress intended that the Institute work with government as well as with individuals and institutions outside of government. Many provisions of our enabling statute point to this conclusion. In regard to the Institute's relationships with institutions of government and individuals in government service, the Act in Section 1705(b) provides broad authority for the Institute to enter into "formal and informal relationships with other institutions, public and private"; to develop programs that are useful, inter alia, "to persons in government;" to conduct symposia for "policymakers [and] policy implementers;" and to disseminate information, including classified information, to approved government personnel. Section 1705(c) provides that grants and contracts may be made with "public ... educational, training, or research institutions ... and with public departments and agencies...." The only institutions eligible to receive grants are "nonprofit or official public institutions ...." Section 1705(d) authorizes the Institute to respond to requests of Federal departments or agencies on questions within the Institute's special competence. Section 1705(g)(1) allows the Institute to "obtain grants and contracts, including contracts for classified research for the Departments of State and Defense, the Arms Control and Disarmament Agency, and the intelligence community, and receive gifts and contributions from government at all levels." Finally, the conflict-of-interest provision of the Act (section 1706(g)) implies that the Institute may have relationships with a financial component, such as grants, with government departments and agencies represented on our Board of Directors—such as the Department of State. This provision requires that Board members recuse themselves from all consideration of matters which might benefit organizations with which they have been affiliated during the previous two years "except that this subsection shall not be construed to prohibit an ex officio member of the Board from participation in actions of the Board which pertain specifically to the public body of which that member is an officer."

To date, the Institute has awarded one grant to an agency of the Federal government: the Institute for the Study of Foreign Affairs of the Department of State's Foreign Service Institute (FSI). The FSI grant is for the operation of a series of colloquia on peacekeeping in multi-ethnic societies. No funds in this grant are applied to overhead or indirect costs; all funds are for project expenses. Thus, the Institute has not provided any operating costs to the Department of State.

At present, no federal body has a grant application pending before the Institute. The Institute will continue to consider grant proposals from federal entities.

STAFFING

Mr. CHILES. How many staff people do you have currently, and how many would you anticipate at a $10 million funding level.

Mr. TURNER. We currently have eight full-time employees and are in the process of adding two more. Under our FY 1988 budget, the Board has approved a staffing level of 28. A detailed organizational chart reflecting the new positions is included in our budget presentation document at page 5.

WORLD PEACE REPORT

Mr. CHILES. You have requested a considerable increase for the preparation of a State of World Peace Report. Please describe the purpose and content of the report.

Mr. TURNER. Although most Americans perceive the world to be generally at peace, there are at present on the order of 40 to 50 armed conflicts taking place around the world. The design and content of this annual report is still very much in the initial planning stage, and substantial work is required to ensure its utility and its adherance to the high standards the Institute has set for all of its projects. A preliminary appraisal indicates that it would help educate the government and people of the United States and other nations about the horrors of war and the human and financial costs associated with ongoing armed conflicts and about various peacemaking efforts to contain or to end those conflicts. It would be patterned in some ways after several annual reports on human rights, such as those published by the Department of State, Amnesty International, and Freedom House. It would identify existing conflicts during the reporting period, examine trends and methods in the use of armed force to respond to international problems, seek to identify some of the causes and contributing factors to ongoing hostilities, and examine ways being used or attempted to resolve the conflicts without recourse to violence. The reason our budget shows a substantial increase for this program is that it is just now being developed, and is not expected to be in full operation until Fiscal Year 1988.

OMB REPORT

Mr. CHILES. Gentlemen, I understand that the Office of Management and Budget is currently contesting your authority to request something other than the President's request. What is the status of this situation?

Mr. TURNER. OMB would prefer to have the Institute submit its budget requests to OMB for prior review and clearance. We believe that the statutory relationship between the Institute and OMB is clear, and we have defended the Institute's independence in our communications with OMB. (The basic exchange of views is reprinted elsewhere in this record, in response to a question from Senator Hatfield.) Despite the disagreement on this issue, we believe the Institute enjoys a very professional and cooperative relationship with the Office of Management and Budget.

Mr. CHILES. Are you aware of what program activities the President's request assumes would cease and what activities would continue?

Mr. TURNER. When OMB reviewed the Institute's FY 1988 budget request, the Institute was still in the process of developing its initial programs. There was little "track record" for OMB to consider in making its decisions. Our understanding is that OMB approved the entire request for administrative and personnel costs as presented in the FY 1988 Budget Request, and made no specific allocations of the reduction in programmatic funds. Obviously, funding at a $3.3 million level instead of at the authorized and requested $10 million level would necessitate a dramatic reduction in Institute activities. The Institute has projected a grants activity budget of $4.533 million under the $10 million budget. Under a $3.3 million budget, that activity would drop to below $1 million, or approximately half of the current, start-up level. Major reductions would also be necessary in the Jennings Randolph Program for International Peace and Institute-directed projects.

CONSULTANTS

Mr. CHILES. Your Budget Request shows an expense of $97,000 for consultants. What would these consultants be used for?

Mr. TURNER. The $97,000 budget figure for the category of "Personnel Compensation and Benefits" includes not only consultants, but also payments for student assistance on a part-time basis (and for the summer) to assist in photocopying and clerical and other office duties, and for the payment of overtime. It includes as well specialized assistance, such as the occasional editing of Institute reports and the provision of certain administrative advice, for example, regarding the management of the accounts of the Endowment of the United States Institute of Peace.

QUESTIONS SUBMITTED BY SENATOR TOM HARKIN

GRANT PROGRAM

Mr. HARKIN. In scanning yesterday's grant announcements, I notice that you have awarded $33,000 to Max Singer and Constantine Menges for "analyzing basic intellectual approaches to working for peace in foreign policy" and "to present those approaches in all their complexity and show how they might be applied together in a balanced fashion." Is this not the same Dr. Menges who has consistently advocated a military solution in Nicaragua?

Mr. TURNER. For purposes of identification, Dr. Constantine C. Menges received his Ph.D. in Political Science from Columbia University, served on the faculty of the University of Wisconsin, was a professional staff member at the Rand Corporation and a Senior Associate of the Hudson Institute, and held several positions in the Federal Government. Most recently, he served as Special Assistant to the President for National Security Affairs. I do not know his political affiliation, and I believe it would be inappropriate for me to attempt to characterize his personal views on Nicaragua or any other subject unrelated to his grant project.

Section 1709(b) of the United States Institute of Peace Act provides that, "[n]o political test or political qualification may be used ... with respect to any ... recipient of Institute funds ... or in selecting or monitoring any grantee, contractor, person, or entity receiving financial assistance under this title." We take this provision of our statute very seriously and interpret it broadly. We do not inquire about the political preferences of grant applicants, and when such preferences are known to us by virtue of being a matter of public record, we refuse to consider them in the grant review process. We believe this practice is consistent with the intent of Congress when the Institute was established.

Mr. HARKIN. These and other grants provide strong evidence of ideological bias by the Board. Do not your grant procedures contribute to suspicions of partisanship and ideological bias?

Mr. TURNER. No, they do not. During our hearing, you expressed concern about an allegation that four of the Institute's initial grants had been given to groups with which members of our Board of Directors had a connection. While stressing that you had not personally looked into the matter, you understandably noted that it was important for the Institute to avoid even an appearance of a conflict of interest.

No issue has received more careful consideration during our start-up year than implementing the Institute's mandate with the very highest ethical standards, and any hint of impropriety is therefore of great concern to us. Let me emphasize, first, that implementing the important congressional mandate of the United States Institute of Peace by establishing a tradition of professionalism and ethical care is among our greatest priorities, and, second, that this is a priority strongly shared by the Board and the officers and staff of the Institute.

It is our understanding, based upon your remarks, that someone alleged an apparent conflict of interest in four of the Institute's first ten grants. Those grants were announced by the Institute on December 4, 1986. We have reviewed the grants in question and have found no substance whatsoever to the charges.

Two of the four situations involved representatives of Executive branch departments and agencies who serve in an *ex officio* capacity on the Institute's Board of Directors. Underlying this criticism is a suggestion that the Institute should not cooperate formally with the important departments and agencies which are represented by *ex officio* members of our Board – a premise that is directly contrary to our enabling statute. In creating the Institute, Congress considered the issue of conflict of interest and made a specific determination that it would be fully appropriate for the Institute to cooperate with Executive branch departments represented on the Board. Indeed, Congress expressly authorized the *ex officio* Board members to take part in decisions pertaining specifically to their own agency. Section 1706(g) of the United States Institute of Peace Act provides:

> No member of the Board may participate in any decision, action, or recommendation with respect to any matter which directly and financially benefits the member or pertains specifically to any public body or any private or nonprofit firm or organization with which the member is then formally associated or has been formally associated within a period of two years, *except that this subsection shall not be construed to prohibit an ex officio member of the Board from participation in actions of the Board which pertain specifically to the public body of which that member is an officer.* [Emphasis added.]

Not only is there a specific statutory exception permitting *ex officio* voting members of the Board to vote on actions which affect the department or agency which they represent, but other parts of our enabling legislation clearly envision a close and cooperative relationship between the Institute and federal departments and agencies. We are encouraged to obtain federal personnel on detail (§ 1707(d)(1)-(2)), to obtain information from any federal department or agency (§1705(b)(10)), to conduct studies and investigations at their request (§1705(d)), and to "enter into formal and informal relationships" (§1705(b)(2)) and "obtain grants and contracts" (§1705(g)(1)) from them. For the Institute to refuse to cooperate with the Arms Control and Disarmament Agency or the

State Department's Foreign Service Institute out of concern that someone might perceive a conflict of interest would fly in the face of the Act itself and, most unfortunately, would in my view result in a far less effective Institute of Peace.

I would also note for the record that in neither of the grants in question did Institute funds go to any purpose other than costs directly associated with specific program activities. That is to say, neither the State Department nor the Arms Control and Disarmament Agency (ACDA) received any "overhead" or "administrative" costs from the Institute. These and the other grants that have been criticized are discussed in more detail below.

Let me turn briefly to the second category of grants about which an allegation of conflict has been made – those to non-governmental institutions or organizations with which one or more members of our Board of Directors have had some relationship. The Institute's Board of Directors is designed to be composed of fifteen nationally prominent scholars and experts in the peaceful management of international conflict. It is to be expected, therefore, that a large number of the most respected and distinguished institutions and organizations in the country which might apply for Institute grants will have had some connection with at least one member of the Institute's Board of Directors. While there will be significant overlap, I would imagine that the average non-governmental member of the Board will have had enough contact with 30 to 50 organizations to warrant recusal on their grant applications in order to avoid an appearance of conflict of interest. To abandon the recusal policy set forth in our enabling legislation, and apply an outright ban on consideration of grant requests from any organization with which a member of the Board has in some way been connected in recent years, would eliminate from consideration a significant number of colleges and universities as well as some of the largest and most prestigious professional organizations and associations in the nation – along with individual scholars at some of our finest institutions of higher learning.

It is a matter of great pride that a Presidentially-appointed and Senate-confirmed Board of distinguished and very busy individuals has been willing to review personally the hundreds of grant applications that have thus far come before the Institute. Each month the Board works its way through a substantial stack of new applications, and each is discussed by Board members at the committee level before being referred to the full Board for final disposition. To the best of my knowledge, members of the Board have been impeccable in their determination to avoid even an appearance of impropriety or conflict of interest, and I am not aware of a single instance in which a member of the Board with even an arguable conflict of interest under the standard set forth in our enabling legislation did not recuse himself.

It is true, of course, that the Board could assign this time-consuming process to members of the Institute's staff or to outside agents, as was suggested during our appearance before the committee. Outside decision-makers could, in my view, compound any potential problems. What assurance would there be that these individuals would not, consciously or subconsciously, be influenced by the knowledge that an applicant has a connection with a member of the Board? And what protection would exist to guard against decisions being influenced by additional conflicts of interest based on the present or past associations of the surrogate judges? Indeed, since such individuals might be far less subject to public scrutiny than members of the Board, the likelihood of genuine conflict of interest going undetected could be far greater than in the current procedure. It is to be expected that individuals who have been selected by the President and confirmed by the Senate would have sufficiently high ethical standards to avoid conflicts of interest, and it is in this Board that the trust of the nation has been placed by law. I believe the nation has been well served by the current Board. Nevertheless, in the future, review panels and other supplementary means of handling increased numbers of applications are likely to be needed. They will be designed with the care required to ensure that the high ethical standards already set are maintained.

Let me now address in some detail the four grants that you indicated have been challenged as involving an apparent conflict of interest.

The Lehrman Institute

In the case of the $25,500 grant to the Lehrman Institute, there was no transfer of any USIP funds to the Arms Control and Disarmament Agency even for program costs. The Institute provided a grant directly to the Lehrman Institute in New York City to help cover honoraria and other costs associated with a series of very balanced and high level arms control seminars in commemoration of the 25th anniversary of the founding of ACDA. The series was designed and directed by two highly respected scholars and included a very distinguished group of participants. Among the principal participants were Professors Samuel Huntington and Joseph Nye of Harvard University, Richard Betts of the Brookings Institution, and *Foreign Affairs* editor William Hyland. Other seminar participants included Leslie Gelb (*The New York Times*), Helmut Sonnenfeldt (Brookings Institution), David Ignatius (*Washington Post*), Michael Krapon (Carnegie Endowment for International Peace), Geneva

Overholser (*The New York Times*), Tamar Jacoby (*The New York Times*), Ambassador Edward Rowny, and Zbigniew Brzezinski. We believe this was an excellent series of programs, and we do not see any conflict of interest. I might add that one member of our Board, Bruce Weinrod, did elect to recuse himself on this grant – even after being advised by the Institute's Attorney Adviser and Ethics Officer that this was unnecessary – because his employer, The Heritage Foundation, includes Lewis Lehrman, the founder of the Institute of his name, on its board of directors. Again, the Lehrman Institute itself received no financial gain from this grant – all of the funds went directly to program costs.

Center for the Study of Foreign Affairs

The Institute provided a grant of $56,000 to the Center for the Study of Foreign Affairs of the State Department's Foreign Service Institute for a symposia series on "Conflict and Peacemaking in Multi-Ethnic Societies." The Institute is collaborating with the Center on these symposia and they are being presented with our joint sponsorship. It is a superb program in which we take a great deal of pride. This is, in my view, exactly the kind of cooperative effort that our statute envisions. The idea that we should have rejected this excellent proposal because the Assistant Secretary of State for Human Rights and Humanitarian Affairs is an *ex officio* member of the Institute's Board did not even occur to us – and I must say that I regard it as preposterous. Our entire contribution to this series is earmarked for program costs – including publication of a book containing papers of the symposia – and will provide no direct benefit to the Bureau of Human Rights and Humanitarian Affairs, to the Center for the Study of Foreign Affairs, or to any other part of the State Department. Even were that not the case, our statute *expressly* authorizes our *ex officio* members to vote on such proposals. To institutionally prohibit the United States Institute of Peace from working cooperatively with other entities of the United States Government would, I believe, severely damage the potential of the Institute to conduct serious work in dealing with problems of fundamental importance to all mankind.

The Foreign Policy Research Institute

The Institute provided a grant of $58,704 to the Foreign Policy Research Institute (FPRI) to support the writing of a book by three scholars. FPRI agreed to waive *all* administrative and overhead costs associated with this project, although it usually obtains a very substantial percentage to administer grants. To the best of my knowledge, no one on the Institute's Board of Directors has had any sort of employment or other financial relationship with FPRI since 1982 (more than twice the two-year recusal standard established by Congress in our statute). Because Ambassador William Kintner has served as both an officer and a member of the Board of FPRI in past years, he elected to recuse himself from consideration of this proposal, and thus did not discuss or vote on it. I also recused myself from consideration of this proposal (I am a non-voting member of the Board) because several years ago FPRI published a monograph I had written (for which I was not compensated in any way). In summary, after careful review at the staff, committee, and full Board of Directors levels, we concluded that this was a worthy proposal, FPRI waived all direct financial benefit, and the only members of the Board with even an *arguable* conflict of interest properly recused themselves from any role in the deliberation process.

The James Madison Foundation

The last grant that was identified as suggesting a conflict of interest was an award of $91,400 to the James Madison Foundation to conduct a series of seminars and produce a book on the major religious and ethical arguments regarding war and peace. The project is being directed by George Weigel, who was recently a fellow at the Woodrow Wilson International Center for Scholars and is the author of several hundred essays and columns on issues of ethics, war, and peace. His latest book, *Tranquillitas Ordinis,* has just been published by Oxford University Press. Both the proposed list of seminar participants and the list of authors include a wide variety of perspectives and scholars of impressive credentials. Participants invited to the first seminar included David Hallenbach, S.J., of the Weston School of Theology; Owen Harries of *The National Interest;* Lawrence Fabian of the Carnegie Endowment for International Peace; former federal officials David Newsome, James Watkins, and R. James Woolsey; James Childress of the University of Virginia; James Billington of the Woodrow Wilson Center; Harold Saunders of the Brookings Institution; and Robert Pickus of the World Without War Council in San Francisco. One member of the Institute's Board of Directors, Dr. Evron Kirkpatrick, serves as an unpaid member of the Board of the James Madison Foundation. When the grant application was received, he recused himself from all discussion and voting on the proposal. I would note that the Institute is providing no indirect or administrative costs to the James Madison Foundation for this project, and that the funds involved will pay primarily for a group of outside speakers and publication costs. It is an excellent proposal that the Institute handled in an entirely properly manner.

It should be noted that the Institute's first ten grants also included awards to the American Psychiatric Association, Colgate University, the College of William and Mary, Professor Nish Jamgotch at the University of North Carolina at Charlotte, Harold Saunders at the Brookings Institution, and the University of the Philippines. These, too, were in my view excellent proposals that were handled in an entirely proper manner at every stage of consideration.

OUTREACH

Mr. HARKIN. I want to address the subject of the Institute's responsibility for developing programs to make international peace and conflict resolution research, education, and training more available to citizens, government agencies, and voluntary associations. As you know, the sections of the Peace Institute Act which detail your responsibilities for the dissemination of information [Section 1705. (b) 4, 6-8] are quite specific. They call on you not only to make information useful and available to the general public, but also to create handbooks and other practical materials. Yet you have been in existence for over one year now, and have not, to my knowledge, published any brochures or newsletters. Can you tell us what steps the Board of Directors has in mind for disseminating information in the fields of international peace and conflict resolution to scholars, government personnel, and citizens around the world?

Mr. TURNER. In December 1986 the Chairman of the Board sent letters to the presidents of every college and university in the United States advising them of the Institute's creation and providing information about ongoing programs. A second letter--aimed primarily at bringing the Institute's grants program to the attention of scholars across the nation--is scheduled to be mailed in the next few weeks. This and other Institute programs have also been publicized in articles and advertisements in the *Federal Register*, the *New York Times*, the *Chronicle of Higher Education*, and in many other publications.

The Institute will soon publish the first of a series of brochures and newsletters aimed at bringing its work to the attention of interested groups and individuals in the United States and abroad. We are also planning to send a message to U.S. missions abroad to inform Embassy and USIA officials about the work of the Institute and seek their help in reaching appropriate individuals in their host countries.

The Institute cooperated with the Foreign Service Institute of the Department of State in planning and presenting a series of colloquia on conflict problems in multi-ethnic societies. These programs were directed particularly at key employees in government agencies, and included participants from the press and the private sector. At least one front-page story in the *Washington Post* on the problems of ethnic conflict resulted from the series. Ultimately, the proceedings of the colloquia will be published and the message will reach far more people in the years ahead.

The Institute has already funded a large number of other projects which will produce publications, and these will be distributed through commercial and other channels as a means of promoting understanding of these issues. In addition, several in-house research projects are now actively underway, and these will reach the target audiences both directly, through public colloquia and conferences, and indirectly through published reports and/or proceedings. Other means of disseminating information are also under consideration.

Mr. HARKIN. In your testimony today you mentioned that the Institute has begun "a series of colloquia with leading scholars and experts from around the nation." This is a commendable undertaking, but what steps have you taken to notify educators and citizens from around the country about these events, for example the recent colloquium at Stanford University?

Mr. TURNER. The primary purpose of these colloquia is to educate the Institute about the various theoretical and pragmatic approaches to international conflict management, and the ongoing work around the nation and the world in each field. The colloquia will be followed by a national conference, which will bring together prominent experts representing a wide range of intellectual approaches to exchange views on the strengths and weaknesses of each approach. In addition to giving the Institute a better understanding of each approach, it is hoped that this process will promote a more interdisciplinary approach and enhance cooperation among the many groups seeking peaceful solutions to the problems of armed international conflict. At the conclusion of the colloquia/conference process, the Institute will prepare a report presenting an intellectual map of the field and commenting on each approach. This will be distributed widely to scholars and experts in the United States and abroad and to interested members of the general public.

As an additional benefit, we hope that members of the public will continue to attend our colloquia and learn from the exchanges which occur. Each of these colloquia has been open to the public. Prior to the first meeting in early December, we sent announcements to the press, local colleges and universities, and to every Member of Congress. We are now in the process of developing a long-range plan for the remainder of the series--which will resume on July 9 with a look at the role of international law in promoting international peace--and we look forward to substantial and increasing public response to notice of Institute activities.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

BOARD NOMINATIONS

Mr. WEICKER. Mr. Moore, on May 13, 1986, I received a letter from the White House Director of Presidential Personnel assuring me that it is the intention of the White House that the next nominee to the Board of Directors of the United States Institute of Peace will be a woman. Has a woman been nominated to the Board?

Mr. MOORE. I am aware of Mr. Tuttle's letter to you, and I want to express my own strong support for the inclusion of women on the Institute's Board. Indeed, I am not at this time aware of any disagreement on this issue. I have been informally assured by the Office of Presidential Personnel that a superbly qualified woman has been selected for nomination to fill the vacant position on the Board, and that the nomination is expected to be made as soon as the necessary background investigations have been completed.

Mr. WEICKER. How many Board positions are currently open?

Mr. TURNER. Of the eleven non-governmental positions on the 15-member Board of Directors, one position has never been filled. Six of the eleven positions were designated as two-year terms for the initial appointments and five were designated as four-year terms, in order to provide for staggered four-year terms in the future. Four of the five Board members appointed to two-year terms took their oath of office in late February 1986 and the fifth even later in the year. Under section 1706(e)(2), their terms officially began on January 20, 1985, and therefore expired on January 20, 1987.

The Institute's enabling statute provides, in section 1706(e)(1)(B), that "a member [of the Board] may continue to serve until his or her successor is appointed... ." Therefore, at this time there is one position on the Board "currently open." It is my understanding that the Office of Presidential Personnel is awaiting the results of background investigations before submitting six nominations for the Board to the Senate for its advice and consent. We anticipate nominations to be made in the near future.

Mr. WEICKER. When do you expect a woman to be nominated?

Mr. TURNER. It is my understanding that the only delay in the nomination of a woman is the normal background investigation required for all candidates for Senate-confirmed positions. I do not know precisely when that will be completed, but have been led to believe that the White House would like to move expeditiously as soon as the investigatory process has been completed.

QUESTIONS SUBMITTED BY SENATOR MARK O. HATFIELD

BUDGET AND INDEPENDENCE

Mr. HATFIELD. We are in an odd position with respect to the United States Institute of Peace budget. We have before us not one but two proposals; your request for $10 million and the President's request for $3.3 million. Those two proposals suggest to me a dispute over the independence of the Institute. Could you comment on the current status and the significance of the Institute's independence?

Mr. TURNER. During the Senate floor debate on the legislation to establish the United States Academy of Peace—which, during conference, was transformed into the United States Institute of Peace—Senator Jennings Randolph stated an important consideration which others seconded throughout the debate. He said:

> The most critical question raised during the debate about the Academy is that of independence.
>
> The Academy must function with a freedom that leaves no doubt as to its academic integrity and autonomy.
>
> We desire to create an institution that, like any educational institution of good reputation, is regarded as one that is capable of free and independent analysis and inquiry...
>
> Our concern about an independent, freestanding Peace Academy is heightened by experience with the evolution of the Arms Control and Disarmament Agency ... [T]he Arms Control and Disarmament Agency lost its true ability to perform independent research and analysis because it became controlled by—administratively and bureaucratically—whichever administration happened to be in power at the time... . For the Peace Academy to fill that void, it is going to have to be modeled on something other

than that agency. Its board and executive staff must be able to operate free from Federal control.

This concept was included in the Institute's enabling legislation, which in section 1704(b) established the Institute as "an independent nonprofit corporation... ." To protect the Institute from political pressure which might threaten its independence, section 1706(f) of the statute placed limitations on the power of the President to remove his appointees from the Institute's Board of Directors. Other than removals for specific cause—such as conviction of a felony or malfeasance in office—members of the Board may be removed only by the President with the approval of a majority of the Board or a majority of four committees of Congress.

The Institute's relationship with the Office of Management and Budget (OMB) is set forth in section 1709, which concerns the Institute's "Independence and Limitations." Subsection (a) of that section provides:

> Nothing in this title may be construed as limiting the authority of the Office of Management and Budget to review and submit comments on the Institute's budget request at the time it is transmitted to the Congress.

For understandable reasons, OMB would prefer to treat the Institute as an agency of the Executive Branch for purposes of budget review and clearance. The Institute recognizes the criticially important role played by OMB in preparing the President's budget and has sought to be as cooperative with OMB as possible--consistent with maintaining the independence mandated by Congress. Despite the differences of opinion which continue to exist about the Institute's independence, we have found OMB to be most cooperative and believe the overall relationship is an excellent one. While reserving the Institute's right to prepare and submit its own budget to Congress, we have kept OMB fully informed of our activities and have provided all of the information they have requested to assist OMB in preparing the President's budget.

Mr. HATFIELD. To establish a record of this debate over the Institute's independence, would you please provide to this Subcommittee the principal correspondence relating to the Institute's independence that you have exchanged with the Office of Management and Budget?

[The information follows:]

LETTER FROM JEFF H. ASHFORD, BUDGET EXAMINER, OFFICE OF MANAGEMENT AND BUDGET, EXECUTIVE OFFICE OF THE PRESIDENT

May 15, 1986

Mr. Robert Turner
President
U.S. Institute of Peace
730 Jackson Place, NW
Washington, DC 20036

Dear Bob:

Last week you requested clarification of the Office of Management and Budget (OMB)-United States Institute of Peace (USIP) relationship regarding legislative and budget review. John Eisenhour and I have discussed the subject with some other OMB staff specialists, and this letter represents our thinking on the matter. It outlines the precedents supporting the OMB position that the USIP -- its independent, non-profit corporation status notwithstanding -- is a part of the Executive Branch for purposes of legislative clearance and budget review.

OVERVIEW

OMB exercises legislative and budget oversight for those organizations in the Executive Branch, except in those instances where legislation includes specific exemption from such review; and in some cases, even statutory exemption may be insufficient.

- Although termed an "independent, nonprofit corporation" in enabling legislation, USIP has aspects of an executive branch entity: board members are Presidential appointees and may be removed by the President as well; employees, while not civil servants, enjoy civil service pay scales and benefits; use of the term "United States" in correspondence or USIP insignia requires current year authorization of appropriations; federal employees may be detailed to USIP; the Institute may use classified government information, and the law stipulates that USIP is to be funded exclusively by the Federal government. Furthermore, USIP is currently housed at Jackson Place, across from the White House, and some administrative functions are performed by the Office of Administration of the Executive Office of the President.

- The USIP was not created as a congressional commission, nor was it made solely accountable to the Congress for funding and oversight. In fact, the congressional concern that the USIP have the stature and access accorded a "national" institution suggests that Congress intended the organization to have a home, if not within, then under the auspices of the Executive Branch.

- The legislative debate, which dealt with a proposed peace academy, included discussions of the issue of independence of such an academy from executive branch constraints. However, this was expressed in terms of freedom from bureaucratic limitations that would prevent the "academy" from engaging in independent research and analysis in its areas of concern. No objection was raised to OMB's performance of the necessary executive functions: developing an integrated budget; pursuing efficiency and economy; and seeking coherence in the legislative program that the President presents to Congress.

LEGISLATIVE CLEARANCE

As set forth in OMB Circular A-19, the legislative review and coordination function is intended to assist the President (or his policy representatives) in developing and presenting Congress a coherent, coordinated legislative program and coordinated views on legislation. OMB's coordination of legislative proposals and positions by various agencies achieves important objectives for the Administration, agency, and Congress:

- it provides a mechanism for development of a coherent legislative program for the President;
- it encourages the various agencies to take the problems and concerns of other agencies into account;
- it facilitates the development of a consistent Administration position on legislation; and
- it assures that the Congress receives coordinated and informative agency views on legislation under consideration.

In addition, A-19 recognizes that prompt action may be required concerning pending legislation, and, accordingly, provides that legislative communications may be submitted to the Congress without prior OMB coordination where time limitations do not permit such coordination to be achieved.

The bases for A-19 are contained in provisions of the Constitution, statutes, and reorganization plans, and in executive orders issued thereunder. Among the most important:

- The Constitution:
    - Article 2, Section 3 requires that the President from time to time give the Congress information on the state of the Union, and "recommend for their consideration such measures as he shall judge necessary and expedient".
    - Article 1, Section 7 provides that every bill passed by the House and Senate be presented to the President for approval or disapproval.
    - Article 2, Section 1 provides that the executive power shall be vested in the President, and Article 2, Section 3 provides that the President shall take care that the laws be faithfully executed.
- The Budget and Accounting Act, 1921:
    - Section 209 (31 USC 18) provides that the President may direct the Bureau of the Budget, now OMB, to make studies of the departments and establishments to enable the President to determine what changes should be made in organization, activities, and business methods of the departments and establishments, with a view to securing greater economy and efficiency in the conduct of the public service.
    - Section 2 (31 USC 18) defines the term "department and establishment" as used therein to mean "any executive department, independent commission, board, bureau, office, agency, or other establishment of the Government, including any independent regulatory commission or board. . . ." This would appear to include the U.S. Institute of Peace.

- Executive Order Number 8248, September 8 1939, issued by President Roosevelt pursuant to above cited legislation:
    - Section 2, part II assigned to OMB functions of assisting the President in the preparation of the budget and other formulation of the fiscal program of the government.
    - Section 2(c) directed OMB to conduct research on improved plans of administrative management, and to advise the departments and agencies on improved organization and practice.
    - Section 2(e) directed OMB to assist the President by clearing and coordinating departmental advice on proposed legislation in accordance with practices theretofore existing under the Budget and Accounting Act.
- OMB Circular A-19, Revised (enclosed), issued September 20, 1979, by direction of President Carter pursuant to the above cited authorities, superceded a similar circular issued in 1972 by President Nixon, which in turn had superceded prior executive issuances on the subject of legislative clearance going back to the enactment of the Budget and Accounting Act in 1921.
    - Section 5(b) defined "Agency" for purposes of the circular as including "Any executive department or independent commission, board, bureau, office, agency, Government-owned or controlled corporation, or other establishment of the Government, including any regulatory commission or board ..." (emphasis added).

Legislative bypass provisions are explicit, and:

- provide that legislative recommendations, testimony, or comments submitted to the President or OMB by the affected agency are be transmitted simultaneously to Congress without prior executive branch review, or
- prohibit any federal officer or agency from requiring the affected agency to submit legislative recommendations, testimony, or comments for approval or review prior to their submission to Congress (emphasis added).
- The U.S. Institute of Peace Act includes no such provision.

BUDGET REVIEW

Congress' enactment of the Budget and Accounting Act of 1921 created a system that clearly defined respective obligations of the Legislative and Executive branches in fiscal matters. That Act recognized the need for the Executive to speak with one voice in presenting the federal budget by replacing prior practice of permitting each agency to determine its own appropriation request.

The Act's premise is that Presidential budget requests for inidividual agencies are developed within the larger context of Presidential policy priorities and overall budget levels appropriate in terms of their effect on the economy, public borrowing, and other fiscal considerations. In the current Gramm-Rudman environment, such a comprehensive review is made even more necessary by the law's requirement for executive and congressional outlay and deficit planning.

In addition to the reasons mentioned above, the timing of budget submission and coordination is essential because budgets of individual agencies - including independent regulatory commissions, institutes, etc. - have important relationships with those of other agencies and government programs. Such relationships cannot be seen or evaluated until the entire budget picture is revealed when the President submits the budget to Congress.

Most of the statutory bases for the President's Budget review authority were mentioned in the legislative clearance section of this memorandum. The Budget and Accounting Procedures Act of 1950, Section 104 (31 USC 18a) provides authority similar to that of the Budget and Accounting Act, 1921. It authorizes the President, through the Director of OMB, to evaluate and develop improved plans for the organization, coordination, and management of the Executive Branch of the government with a view to efficient economical service.

- Two forms of budget bypass provisions exist. In one form, they provide that agencies will submit their budgets to OMB and Congress concurrently, but do not bind the President to the agency request in the Budget the President transmits to Congress. However, in one instance (the FAA) the Justice Department has found that such a provision violates the separation of powers provided in the Constitution, and prevents the President from exercising an executive function.

- In the only clear-cut case where Presidential review is prohibited, the International Trade Commission is specifically excluded from provisions of the Budget and Accounting Act of 1921, and the Commission's estimated expenditures and proposed appropriations must be included without revision in the President's Budget.

- Section 1709 (a) of the Institute of Peace Act clearly authorizes OMB to review and comment on the USIP's budget request. The phrase "at the time it is transmitted to the Congress" is not, however, equivalent to a requirement for concurrent submission. There is nothing in the USIP legislation, in contrast to that of the ITC, that could be construed as limiting the authority of OMB to review the USIP's budget prior to submission to Congress.

The appropriate relationship, in our view, is for USIP to submit its budget request to OMB, where that request can be integrated into the entire budget submission sent to Congress. Neither Congress nor the Executive would be served by the automatic submission of preliminary and only partially developed positions. In contrast, the value of direct submission to Congress would be much more evident in the case where Congress had made a specific, well-defined request for materials that were necessary for it to fulfill a vital legislative function. Obviously, Congress may make such a request, and needs no statute to do so. Congress frequently obtains information in this manner from the Executive Branch when, in the view of the Executive Branch, the provision of such information will not have an unacceptable impact on the deliberative process.

In the context of Gramm-Rudman, the importance of a coherent budget review and presentation process is obvious. Such a review can only be accomplished when all agencies that are participants in the budget contribute to make the budget process as comprehensive and coordinated as possible.

CONCLUSION

For purposes of legislative clearance and budget review the USIP should be considered a part of the Executive Branch. Based on the discussion above, we see no grounds for any exemption of USIP from the requirements of Circulars A-19 (legislative review and clearance) or A-11 and A-34 (budget submission and execution, respectively).

Sincerely,

Jeff Ashford

LETTER FROM ROBERT F. TURNER

10 July 1986

Mr. Jeff Ashford
Budget Examiner
Office of Management and Budget
Room 8236 - New Executive Office Building
Washington, D.C. 20503

Dear Jeff:

Thank you for your thoughtful letter of May 15, setting forth the reasons behind the OMB position that "the USIP . . . is a part of the Executive Branch for purposes of legislative clearance and budget review." It is a thorough and impressive piece of work, and I have found it helpful in my own independent analysis of the question.

As I am sure you will recall from the first meeting of our Board of Directors in late February, at least some of our Board members feel strongly that the Institute was intended by Congress to be independent of Executive branch control. If at all possible, I want to work with you and John to resolve this matter amicably but, in the final analysis, we will presumably all be guided by what we perceive to have been the intent of Congress. As much as we would like to avoid any disagreement, none of us has the option of subverting the statutory intent in the interest of promoting harmony. Further, given the strong expressions of concern we have already received from the Hill (including during our appropriations testimony) about the Institute's ability to remain independent of Executive Branch control, it seems clear that our agreement to your position would not eliminate the controversy. I believe we need to promptly address the relationship on the merits, and if at all possible find a solution with which we can all live.

Your letter has been very helpful in explaining the arguments for considering the Institute to be an agency of the Executive Branch. I have shared your letter with my Board of Directors, along with the arguments set forth in the attached memorandum. After careful consideration, it is the unanimous conclusion of the Board of Directors and professional staff of the Institute that USIP was designed by Congress to be independent of OMB control.

As you know, the Office of the Federal Register publishes an authoritative *United States Government Manual* which lists organizations created by the Government depending upon whether they are a "Department," an "Independent Establishment or Government Corporation," a "Board or Commission," or a "Quasi-Official Agency." I have compared the *United States Institute of Peace Act* with the enabling legislation of various organizations in these lists, and it seems clear that we belong outside the Executive Branch--perhaps in the category "Quasi-Official Agencies." This section of the *Manual* is prefaced by the explanation: "This section contains organizations which are not agencies under the definition in 5 U.S.C. 105 but which are required by statute to publish certain information on their programs and activities in the *Federal Register*."

While some "Government Corporations" or "Government-controlled Corporations" include a specific waiver from OMB clearance, many of them do come under your jurisdiction as if they were agencies of the Executive Branch. However, these organizations differ dramatically in several respects from, for example, the "Quasi-Official Agencies" which are not subject to OMB control. Let me list a few of the features in our statute which are inconsistent with the general character of Government Corporations but very similar to organizations listed as "Quasi-Official":

- The President may not dismiss a member of our Board of Directors except for specified causes, or (1) with the approval of a majority of the USIP Board, or (2) with the approval of four committees of Congress. Under the doctrine of *Myers v. United States*, 272 U.S. 52 (1926), this would be an unconstitutional procedure if we were a purely "Executive" agency. However, this doctrine was modified in *Humphrey's Executor v. United States*, 295 U.S. 602 (1935), to permit such provisions in statutes establishing non-Executive organizations which were designed by Congress to be independent of Presidential control. This distinction was implicitly reaffirmed earlier this week when Chief Justice Burger handed down the Court's opinion in *Bowsher v. Synar*.

- Our officers and employees are not "officers and employees of the United States Government." This is a key distinction between organizations listed as "Government Corporations" and those considered "Quasi-Official."

- We don't perform a traditional "Government function." For example, Government Corporations tend to have regulatory or law enforcement powers--or, like TVA, possess other powers of Government, such as authority to exercise the power of eminent domain on behalf of the Government. Our role of administering educational grants and fellowships and providing public information resembles that of the Smithsonian Institution's Woodrow Wilson Center (also listed as a "Quasi-Official" entity).

- Our statute provides for private auditing by non-government personnel, whereas "Government Corporations" are prohibited by law from even paying for such an audit.

- While we (like "Quasi-Official" agencies) are permitted to receive support from GSA, we are also permitted to rent space and obtain other support from the private sector without regard for many regulations which would control a true Government agency.

- We don't have authority to use the penalty mail privilege.

- Finally, and perhaps most importantly, the plain meaning of the language of Section 1709(c) of our statute compels the conclusion that USIP is independent of OMB control. The provision permitting OMB to "review and submit comments" upon the USIP annual budget request is virtually *identical* to language governing the Legal Services Corporation's relationship with OMB. Indeed, on every one of the above points (and many others), our statute is very similar to that of the Legal Services Corporation, which does not submit testimony for OMB clearance.

The attached memorandum addresses other issues and provides detail and documentation on the arguments set forth above. We would, of course, welcome any thoughts or comments you might wish to put in writing, and will share your views with the Institute's Board of Directors.

With warm regards, I am

Sincerely,

Robert F. Turner
President

UNITED STATES INSTITUTE OF PEACE
730 JACKSON PLACE, N.W.
WASHINGTON, D.C. 20503
Telephone: (202) 789-5700

MEMORANDUM

DATE: 10 July 1986

TO: Jeff Ashford
Office of Management and Budget

FROM: Robert F. Turner, President

SUBJECT: *USIP Relationship With OMB--A Response*

This memorandum responds to your letter of May 15, which set forth the reasons behind OMB's position that the United States Institute of Peace "is a part of the Executive Branch for purposes of legislative clearance and budget review."[1]

THE OMB ROLE

The 1921 *Budget and Accounting Act*[2] created the Bureau of the Budget (the predecessor to OMB) in order "to assemble, correlate, revise, reduce, or increase the estimates of the several departments or establishments" of the Government.[3] Pursuant to section 206 of this statute, the Bureau issued *Circular 49* on 19 December 1921 to require central clearance of all departmental legislative proposals involving possible Federal funding.[4]

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[1] Letter from Jeff Ashford to Robert F. Turner, May 15, 1986, at 1 (hereinafter cited as "Ashford Letter").

[2] 42 Stat. 22 (1921).

[3] *Id.* § 207.

[4] Parris, "The Office of Management and Budget: Background, Responsibilities, Recent Issues," Library of Congress, Congressional Research Service Report No. 78-258, at 13-14 (27 July 1978). Discussing this circular in a 1954 article in the *American Political Science Review*, Professor Richard E. Neustadt wrote: "[T]his circular and its successors have carefully refrained from claiming any right to stop or alter agency responses to congressional requests for views on pending bills. Formally speaking, the only requirement has been that the President's position, as expressed by [the Bureau of the] Budget, be stated in an agency report along with the agency's own views." Neustadt, *Presidency and Legislation: The Growth of Central Clearance*, 48 AM. POL. SCI. REV. 641, 644 (Sept. 1954). Whether Neustadt was accurate or not in 1954, it is of course clear that OMB exercises a far greater authority today to control congressional testimony and budget requests of Executive Branch agencies.

The legislative clearance mechanism, as you note on page 4 of your letter, developed from the recognition of "the need for the Executive to speak with one voice . . . ." As Professor Richard E. Neustadt stated in regard to the strengthening of this process that occurred during the Roosevelt Administration, the "coordinative elements . . . were seen primarily as means to keep the many-voiced executive from shouting itself down in the legislative process."[5] On page 1 of your letter, you recognize that "OMB exercises legislative and budget oversight for those organizations *in the Executive Branch* . . . ."[6]

It appears that OMB serves two somewhat distinct functions of possible relevance to the Institute of Peace. First, on the President's behalf, you prepare the official budget recommendation to Congress and, in this capacity, you have authority to modify the proposals submitted by Executive agencies. With respect to Executive departments and other entities which are clearly subject to the President's authority and control, you may establish the budgetary figures which they are permitted to seek from Congress. With respect to other, more independent, entities, you may at least inform Congress of the level of funding the President believes to be appropriate (while perhaps not preventing these organizations from seeking to persuade Congress that a different level of funding is justified).

In addition, you help the President manage[7] the Executive departments and agencies placed by law under his control with respect to their testimony before Congress.[8] This second function includes the authority to approve and to control the content of prepared congressional testimony and, as I understand it, creates an obligation on the part of Executive agencies not to depart from the OMB approved position.[9]

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[5] Neustadt, *supra* note 4 at 651.

[6] (Emphasis added.) *See also* Neustadt, *supra* note 4 at 641; Gilmour, *Central Legislative Clearance: A Revised Perspective*, PUBLIC ADMIN. REV. 150 (March-April 1971).

[7] When the Bureau of the Budget was replaced by the OMB under *Reorganization Plan No. 2* of 1970, President Nixon explained in his accompanying message to Congress that OMB "would be the President's principal arm for the exercise of his *managerial* functions." *Reprinted at* 31 U.S.C.A. §16 (1982) (emphasis added).

[8] Although the Constitution makes no reference to cabinet departments and Executive Branch agencies (which are generally established by statute of Congress), one might find additional authority for presidential control in section II(1) or other provisions of the Constitution.

IS USIP AN "AGENCY" OF THE EXECUTIVE BRANCH?

Defining "Agency"

At issue, in the present case, is whether the United States Institute of Peace constitutes an "agency"[10] within the Executive Branch so as to come under the purview of OMB (1) for budgetary purposes and (2) so as to permit OMB to "clear" or control the content of the Institute's congressional testimony.

As already noted, the 1921 *Budget and Accounting Act* gave the Bureau of the Budget authority over "departments" and "establishments" of the government. This was defined by statute to mean "any executive department, independent commission, board, bureau, office, agency, or other establishment of the Government, including any independent regulatory commission or board . . . ."[11] You cite this definition and argue that it "would appear to include the U.S. Institute of Peace."[12] I should, perhaps, observe in passing that I don't find the reasoning that compelling.[13] In any case, the definition you rely upon has been superseded. Current budget law substitutes for "department or establishment" the term "agency," which is defined as "a department, agency, or instrumentality of the United States."[14] Indeed, for purposes of the President's authority to "change agency appropriation requests," the operative term appears to be "executive agency"[15]--defined as "an Executive department, a Government corporation, [or] an independent establishment."[16]

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[9] Columbia University Professor Robert Gilmour writes that ". . . no provision for central legislative clearance was contained in the [1921 Budget and Accounting] Act, and there is certainly no record that Congress intended to invest the Executive with so powerful a tool in the legislative process." *Supra* note 6 at 151. While this authority resulted originally from a Bureau of the Budget circular that arguably exceeded the scope of its underlying statute, given the President's constitutional responsibilities for the activities of these agencies, the power seems generally unremarkable.

[10] Defined *infra*, at text accompanying notes 14-15.

[11] 31 U.S.C. §2 (1976).

[12] Ashford Letter, *supra* note 1, at 3.

[13] Presumably you are relying either on the "other establishment of the Government" or the "independent regulatory commission or board" language. With respect to the former, I would argue (although the language is somewhat ambiguous) that it refers to establishments that are *part of* the Government, not establishments that are simply *established by* the government. Indeed, "other establishment of government" seems to be really more narrow even than that, since it does not appear to include congressional committees or various other *establishments* outside the Executive branch. For example, as I understand it you do not claim control over the budget of organizations such as the Smithsonian Institution, the Corporation for Public Broadcasting, or the Legal Services Corporation, although each was "established" by Federal statute. The ambiguity is less of a problem with the newer statutory language, discussed *infra* at text accompanying note 14, which substitutes "instrumentality" for "establishment." Regarding the second phrase of the 1921 definition, I am unaware of any "regulatory" function performed by USIP.

OMB Circular No. A-19 (Rev.) adopts an arguably broader definition, which includes a "Government-owned or controlled corporation, or other establishment of the Government . . . ."[17] This would appear to be based in part upon the *Government Corporation Control Act* of 1945,[18] which "extends the budgetary function to wholly-owned Government corporations."[19] Clearly, by statute the President is empowered "to change budgets submitted by wholly owned Government corporations."[20] However, there is no indication that Congress intended USIP to be a "Government-owned or controlled corporation" under the terms of that statute, rather than an "independent nonprofit corporation" as formally designated in the *United States Institute of Peace Act*.[21] Rather than being defined by their characteristics, wholly owned and mixed-ownership Government corporations are simply identified individually by name in the statutes.[22] Not only is USIP not included in either list, but an analysis of the attributes generally shared by such corporations yields little reason to believe that USIP *should* be so listed.

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[14] 31 U.S.C. §1108(a) (1983).

[15] The general definition of "agency" in 31 U.S.C. §1108(a) expressly excludes from its coverage "subsection . . . (b)(1)," which provides for the submission to the President of "each appropriation request for the agency" and states that "[t]he President may change agency appropriation requests." An "Explanatory Note" to this section in the *United States Code, Annotated*, provides: "In subsection (b)(1), the words "executive agency" are used instead of "agency" . . . ." 31 U.S.C.A. § 1108 n.

[16] 5 U.S.C. §105 (1983). *See also*, 5 U.S.C. §104 (1983), which defines "Independent establishment" as "an establishment of the executive branch . . . which is not an Executive department, military department, Government corporation, or part thereof, or part of an independent establishment . . . ." "Government corporations" are discussed *infra* at notes 17-22, and accompanying text.

[17] Para. 4.

[18] 31 U.S.C. §9101 *et seq*. (1983) (formerly 31 U.S.C. §846 *et seq*. (1976)).

[19] Parris, *supra* note 4 at 81. *See also*, 31 U.S.C. §9101 (1983). 5 U.S.C. §103 defines "Government corporation" as "a corporation owned or controlled by the Government of the United States . . . ." It is noteworthy that 5 U.S.C. §104 (1983) specifies that a "Government corporation" is *not* an "Independent establishment." Thus, the term "independent . . . corporation" in the USIP Act can hardly be read to be synonymous with "Government corporation."

[20] 31 U.S.C. §9103(c) (1983).

[21] Pub. L. 98-525, §1704(b) (1984).

Comparison with Other Organizations

The United States Government Manual 1985-86, published by the Office of the Federal Register, National Archives and Records Administration, divides Government funded and established entities which do not fall within the core "departments"[23] under two useful headings. Under "Independent Establishments and Government Corporations" are listed such obviously "Executive" agencies as the Central Intelligence Agency (CIA) and the Arms Control and Disarmament Agency (ACDA), as well as some more autonomous and regulatory entities as the Tennessee Valley Authority (TVA), the Export Import Bank (Ex-Im Bank), the Interstate Commerce Commission (ICC), and the U.S. International Trade Commission (USITC).

After a listing of "Boards, Committees, and Commissions," a separate section of the *Manual* lists "Quasi-Official Agencies" and prefaces the list by noting: "This section contains organizations which are not agencies under the definition in 5 U.S.C. 105 but which are required by statute to publish certain information on their programs and activities in the *Federal Register*."[24] Typical of these organizations are the Legal Services Corporation and the

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[22] *See* 31 U.S.C. §9101 (1983). Government corporations are divided into two categories. "[M]ixed-ownership Government corporation" is defined to mean: Amtrak, the Central Bank for Cooperatives, the Federal Deposit Insurance Corporation, the Federal Home Loan Banks, the Federal Intermediate Credit Banks, the Federal Land Banks, the National Credit Union Administration Central Liquidity Facility, the Regional Banks for Cooperatives, the Rural Telephone Bank, and the United States Railway Association. "[W]holly owned Government corporation" is defined to mean: the Commodity Credit Corporation, the Export-Import Bank of the United States, the Federal Crop Insurance Corporation, Federal Prison Industries, Inc., the Federal Savings and Loan Insurance Corporation, the Government National Mortgage Association, the Overseas Private Investment Corporation, the Pennsylvania Avenue Development Corporation, the Pension Benefit Guaranty Corporation, the Rural Telephone Bank, the Saint Lawrence Seaway Development Corporation, the Secretary of Housing and Urban Development when carrying out duties and powers related to the Federal Housing Administration Fund, and the Tennessee Valley Authority. Some of these organizations are discussed *infra*, notes 25-41 and accompanying text.

[23] *See* 5 U.S.C. §101 (1983), which lists as the "Executive departments" the Departments of State, Treasury, Defense, Justice, Interior, Agriculture, Commerce, Labor, HEW, HUD, and Transportation.

[24] *The United States Government Manual 1985-86* at 675 (1985).

Smithsonian Institution. It is helpful to examine some of the organizations in both categories in order to identify the general characteristics of each group and to explore whether USIP's statute is more consistent with one than with the other.

Independent Establishments and Government Corporations

The Tennessee Valley Authority (TVA)--The TVA was established in 1933 as a wholly owned Government corporation.[25] It is controlled by a Board of Directors having three members, all appointed by the President and confirmed by the Senate.[26] No statutory safeguards comparable to those in the USIP Act exist to protect TVA Board members from Executive control, and the Board serves at the pleasure of the President.[27] Although TVA has its own personnel system (subject to the final discretion of the Secretary of Labor[28]), TVA employees are "regarded as being substantially employed by the United States."[29] TVA by statute performs Government functions, such as the exercise of the right of eminent domain,[30] and is specifically subject to "audit by [the] Comptroller General."[31] I am informed by the director of the Washington office of TVA that the corporation submits to OMB "legislative clearance" of its congressional testimony.

THE EXPORT-IMPORT BANK--By statute, the Ex-Im Bank is identified expressly as "a corporation . . . which shall be an agency of the United States of America."[32] The bank is "entitled to the use of the United States mails in the same manner and upon the same conditions as the executive departments of the Government."[33] The Bank's President is appointed by the President of the United States,[34] and the terms of the Senate-confirmed Board of Directors is "at the pleasure of the President of the United States."[35] Its employees are Civil Service Government employees; it is audited by the General Accounting Office; and it submits to the OMB legislative clearance process.[36]

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[25] *See* 16 U.S.C. §831 (1983).

[26] *Id.* §831a.

[27] 16 U.S.C.A. § 831e, note 3.

[28] 16 U.S.C. §831b (1983).

[29] *Posey v. Tennessee Valley Authority*, 93 F.2d 726 (C.C.A. Ala. 1938), *cited in* 16 U.S.C.A. § 831b, note 1.

[30] 16 U.S.C. §831c(h).

[31] *Id.* §831h(b). ("The Comptroller General of the United States shall audit the transactions of the Corporation at such times as he shall determine, but not less frequently than once each governmental fiscal year . . . .")

[32] 12 U.S.C. §635(a)(1) (1983).

[33] *Id.*

[34] *Id.* §635a(b).

THE FEDERAL TRADE COMMISSION (FTC)--The FTC has a prosecutorial function as an element of the Federal Government, and its employees are Civil Service employees of the Federal Government. It appears to be more independent of the President than some of the other organizations in this section. Although, as "an independent regulatory commission," it would appear to be subject to OMB review,[37] I am led to believe[38] that it does not submit its congressional testimony for prior OMB "clearance." (However, I am told it does submit its budget figures for inclusion in the President's budget, but feels free to seek higher levels if the budget proposal is reduced by OMB.)

INTERSTATE COMMERCE COMMISSION--The ICC, despite its status as an "independent regulatory commission," has a special statutory provision calling for it to send its budget requests to Congress "at the same time they are sent to the President or the Office of Management and Budget."[39] The statute provides further: "An officer of an agency may not impose conditions or impair communications by the Commission with Congress, or a committee or member of Congress . . . ."[40]

U.S. INTERNATIONAL TRADE COMMISSION--Like other "independent regulatory commissions," the International Trade Commission (formerly U.S. Tariff Commission) is staffed by government employees and performs investigatory and other Federal Government functions. In your letter, you find it significant that the ITC has specific statutory exemption from OMB clearance.[41] I would suggest that this is probably because, as a Government "agency," it would otherwise be subject to OMB review. As I will attempt to demonstrate below, USIP needs no such special language because it does not come under this category of organizations.

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[35] *Id.* §635a(c).

[36] Telephone conversation with representative of Ex-Im Bank General Counsel's office.

[37] *Budget and Accounting Act, supra* note 2, § 2.

[38] Based upon telephone conversations with FTC representatives.

[39] 31 U.S.C.A. §1108(f) (1983).

[40] *Id.*

[41] Ashford Letter, *supra* note 1 at 5.

Quasi-Official Agencies

The following organizations are listed in the *U.S. Government Manual* by the Office of the Federal Register with an introductory note expressly stating that they do *not* constitute "agencies" under 5 U.S.C. § 105:

LEGAL SERVICES CORPORATION--Many provisions of the Legal Services Corporation enabling statute are virtually identical to those in the *United States Institute of Peace Act*. For example, Legal Services is empowered to give out grants to the public[42]; and its officers and employees are considered Federal Government officers and employees only for purposes of retirement, life insurance, health insurance, and certain other personnel benefits.[43] The President of the corporation is appointed by the Board of Directors, is an *ex officio* non-voting member of the Board, and serves at the pleasure of the Board.[44] The bipartisan Board itself is appointed by the President of the United States subject to confirmation by the Senate, and Board members cannot be dismissed without a majority vote of the other Board members.[45] Meetings of the Board must be open to the public,[46] and the corporation is subject to the provisions of the Freedom of Information Act.[47]

The corporation may not issue stock,[48] and its provisions for private audits are virtually identical to those in the USIP Act.[49] Just as USIP is authorized to receive support from GSA, the Legal Services statute provides that the President "may direct that appropriate support functions of the Federal Goverment may be made available to the Corporation in carrying out its activities under this subchapter . . . ."[50]

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[42] 42 U.S.C. § 2996e(a)(1)(A) (1983).

[43] *Id.* §2996d(e).

[44] *Id.* §2996d(a).

[45] *Id.* §2996c(a), (e).

[46] *Id.* §2996c(g).

[47] *Id.* §2996d(g).

[48] *Id.* §2996e(d).

[49] *Id.* §2996h. But note that the Legal Services Corporation act includes a provision for additional audits by the General Accounting Office. *Id.*

Perhaps most revealing of all, the Legal Services statute contains language almost verbatim to that in the USIP Act regarding its relationship with OMB. It states:

> **Nothing in this subchapter shall be construed as limiting the authority of the Office of Management and Budget to review and submit comments upon the Corporation's annual budget request at the time it is transmitted to the Congress.[51]**

The dramatic similarities between this statute and the USIP Act strongly suggest that the two entities should be treated in a similar manner with respect to OMB clearance and oversight. I am informed by the LSC General Counsel that, although they have an excellent relationship with OMB, they do *not* submit congressional testimony for OMB clearance. A conversation with the immediate past General Counsel confirmed this practice.

SMITHSONIAN INSTITUTION--Another organization categorized by the *U.S. Government Manual* as not being an "agency" is the Smithsonian Institution. Since the United States Institute of Peace was in part patterned after the Smithsonian's Woodrow Wilson International Center for Scholars,[52] despite the special nature of the Smithsonian's origin it is worth looking briefly at its status as an "independent" corporation.

In the 1976 case of *Buckley v. Valeo*, the Supreme Court said that the functions of the Smithsonian's Board of Regents were "in an area sufficiently removed from the administration and enforcement of the public law as to permit them being performed by persons not 'Officers of the United States.'"[53] A 1976 legal memorandum from the Office of Legal Counsel of the Department of Justice, in arguing that the Smithsonian was not an "agency" of the United States Government, reasoned:

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[50] *Id.* § 2996k. By Executive Order 11874 (25 July 1975), the President has designated OMB as the agency with responsibility "to direct that appropriate support functions of the Federal Government may be made available to the Legal Services Corporation in carrying out its activities . . . ."

[51] 42 U.S.C. § 2996d(e)(2) (1983).

[52] *See* 20 U.S.C. §80e, and S. REP. NO. 98-244, 98th Cong., 1st Sess. 18 (1983) ("The Committee is mindful of the success of the Woodrow Wilson Center . . . and commends to the Board this successful model.")

[53] 424 U.S. 1, 139 (1976).

> The Smithsonian Institution is an establishment constituted for the increase and diffusion of knowledge among men. . . . Management of the Institution is vested in a Board of Regents . . . with a majority of members from the general public. . . . The Smithsonian performs none of the purely operational functions of government which have been given such significant weight in determinations of agency status in other cases. It neither makes rules of general application binding the public nor adjudicates disputes of that character. It issues no orders. It regulates no industry or profession. Although created by the United States as an instrument of national trust, it plays no part in the process of administration, regulation, and government. It is not a "Government corporation," or a "Government-controlled corporation," and . . . cannot be viewed as an establishment within the Executive branch of government. It neither functions under the President nor is it accountable to him.[54]

While the Smithsonian has a much broader role than USIP, in one way or another it performs virtually every type of function that USIP was created to carry out. Although some of the Smithsonian's employees are with the Civil Service, most are not. Its Board of Trustees may not be dismissed by the President. The arguments used by the Justice Department in the above excerpt would seem to apply equally well to USIP. While the Smithsonian does, I am told, submit its budget testimony to OMB, I am informed by their General Counsel's office that this is for "information" and not "clearance." Smithsonian officials tell me that they feel no obligation to abandon their original budget estimates in the event OMB decides to include a lesser amount in the President's budget.

Summary of Characteristics

While there are clear differences among organizations in each of these two categories, certain identifying characteristics that predominate in each group can be identified. "Independent Establishments and Government Corporations" tend to be subject to OMB clearance and review, and:

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[54] Memorandum from Leon Ulman, Deputy Assistant Attorney General, Office of Legal Counsel, to Peter Powers, General Counsel, Smithsonian Institution, "Coverage of the Smithsonian Institution by Certain Federal Statutes" 7, 10 (19 February 1976). For an earlier Attorney General Opinion holding that the Smithsonian is independent of the Executive Branch, *see* 26 Op. Att'y Gen. 209 (1907).

- If governed by a Board of Directors, its members usually serve "at the pleasure of the President of the United States."

- Their employees are either Civil Service or otherwise "Federal Government Employees."

- They perform "Federal Government functions," such as rulemaking, adjudication, or regulation. None is solely educational in nature--conducting research, providing public information, administering grant and fellowship programs--the essence of the work of USIP.

- They are subject to government audits (and are prohibited by law from paying for private audits[55]).

- Many if not all are permitted to send mail using a government franking privilege as a consequence of their position in the Executive branch.

In contrast, organizations listed as "Quasi-Official Agencies" are not considered "agencies" of the Executive branch and, as far as I have been able to determine, do not submit their congressional testimony for OMB alteration or "clearance" (although they may submit it for OMB's "information"). In addition, in general:

- Their officers and employees are not "Government employees" except perhaps for purposes of retirement, health insurance, and similar benefits.

- Members of their Board of Directors may not be removed by the President except for specified causes identified by statute or with the approval of some entity independent of the Executive Branch.

- They do not perform functions traditionally viewed as "governmental," but often perform duties identical or similar to those possessed by USIP--such as promoting education and scholarship and issuing grants of appropriated funds.

- These organizations are not generally required to obtain assistance from GSA or other government support agencies, but may be authorized to obtain such support should they so desire.

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[55] 31 U.S.C. §9105(e) (1983).

- They often have statutory authority to obtain audits by non-governmental entities--perhaps in addition to audits by the Comptroller General or the Government Accounting Office.

- At least one such entity (Legal Services Corporation) includes within its statute language regarding OMB review which is virtually identical to that found in the *United States Institute of Peace Act.*

A Comparative Look at the Nature of the Peace Institute

The Act creating the United States Institute of Peace, when examined in light of the characteristics set forth above, strongly suggests that the Institute is not an "Independent Establishment" or "Government Corporation" as those terms are used in the relevant laws. For example:

- Except for certain personnel benefits, officers and employees of the Peace Institute "shall not be considered officers and employees of the Federal Government."[56] This is significant, because if the Institute were "engaged in the performance of a Federal function under authority of law,"[57] and were an "Executive agency"[58] or "a Government controlled corporation,"[59] its personnel would by statute be "officer[s]" or "employee[s]" of the United States. Indeed, according to title 5 of the United States Code, were USIP in fact a part of the Executive Branch, its officers and employees would by statutory definition be a part of the "Civil Service"[60]--something clearly ruled out by the enabling legislation.

- A non-governmental member of the USIP Board of Directors may not be removed by the President of the United States, except for specific causes set forth by statute, unless the President obtains the prior formal approval of a majority of the Board or of four congressional committees.[61]

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[56] *United States Institute of Peace Act*, Pub. L. 98-525, §1707(f)(1).

[57] 5 U.S.C. §§ 2104(a)(2), 2105(a)(2) (1983).

[58] *Id.* §2104(a)(1)(C).

[59] *Id.* §2105(a)(1)(E).

[60] *Id.* §2101(1). "[T]he 'civil service' consists of all appointive positions in the executive, judicial, and legislative branches of the Government of the United States, except positions in the uniformed services . . . ."

- The USIP enabling legislation is largely permissive. Section 1705, which is entitled "Powers and Duties" and which runs for several pages, prefaces every grant of power with the language "the Institute *may* . . . [emphasis added]." The detailed structure, bylaws, and programs of the Institute are left exclusively for the determination of the Board of Directors--the majority of which is made up of non-government personnel. This is hardly the sort of language that one finds in charters for Executive Branch agencies.

- The Institute is not *obligated* to obtain support assistance from GSA or any other governmental agency. It may obtain housing and support entirely in the private market.

- By statute, the overwhelming majority of the corporation's Board of Directors (11 out of 15) is composed of individuals who may not be "[o]fficers and employees of the United States Government."[62] Thus, it is impossible for the Institute to be "Government controlled" in any meaningful sense--despite its public funding.[63]

- Although the first Chairman of the Institute's Board of Directors is designated by the President of the United States, the enabling statute provides that all subsequent chairmen must be elected by the Board from among the non-federal members of the Board.[64]

- No provision is made for the use of the penalty mail privilege, and the Department of the Controller, United States Postal Service, has formally notified the Institute that it is not eligible to use the frank because of its non-governmental status.[65]

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[61] *United States Institute of Peace Act* , Pub. L. 98-525 § 1706(f), discussed *infra* at text following note 68.

[62] *Id.* §1706(d)(2).

[63] In holding that a nonprofit corporation that was solely funded by federal appropriations pursuant to the Economic Opportunity Act of 1964 was not a "federal agency" for purposes of Federal Tort Claims Act liability, the Supreme Court, in *United States v. Orleans*, 425 U.S. 807 (1976) relied in part upon the fact that the corporation's Board of Directors was composed of "local officials, representatives of the poor and members of business, labor, and other groups in the community . . . ." The Court reasoned: "Nothing could be plainer than the congressional intent that the local entities here in question have complete control over operations of their own programs with the Federal Government supplying financial aid, advice, and oversight only to assure that federal funds not be diverted to unauthorized purposes." *Id.* at 817-18.

[64] *Id.* §1706(h)(1).

- The Institute is by statute *required* to obtain an annual audit "by independent certified public accountants or independent licensed public accountants . . . ."[66] No express provision is made for any sort of governmental audit.

Meaning and Purpose of USIP "Independence"

The structure described above simply make no sense if Congress intended for the Institute to be an "agency" of the Executive Branch of the Federal Government. It does, however, make eminent sense if Congress was indeed seeking to establish an entity that was *independent*[67] of Executive control. Certainly the power of "legislative review" which OMB wishes to assert--which would permit OMB to sharply curtail the Institute's budget request if it fell out of favor with an incumbent Administration--would dramatically impact upon the Institute's "independence" from Executive control. The entire structure of the Institute seems designed to avoid external controls which might influence the objectivity or independent judgment of the Board of Directors.

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[65] Letter to the Honorable John Norton Moore, Chairman, Board of Directors, United States Institute of Peace, from James S. Stanford, Manager, Official Mail Accounting Branch, Department of the Controller, U.S. Postal Service, dated 19 March 1986. Attached to this letter is a supporting legal opinion by their Assistant General Counsel, Legislative Division.

[66] *Id.* §1708(g).

[67] Examined in isolation, disagreement is possible over what Congress intended by the use of the term "independent" in the Act establishing the Institute of Peace. It is, by itself, an ambiguous term. It generally means "not dependent; not subject to control, restriction, modification, or limitation from a given outside source." BLACK'S LAW DICTIONARY 911 (Rev. 4th ed. 1968). The essential question is whether USIP is an "independent" agency *within* the Executive Branch, or is "independent" *of control by* the Executive Branch. There is precedent for both interpretations. In 1907, Attorney General Bonaparte used the word "independent" to designate "offices," "bureaus," and "branches" of the Executive Branch which were not subordinate to the eight major "departments" of Government (e.g., State, War, Navy, Justice). 26 Op. Att'y Gen. 209, 214 (1907). In this same sense, as already noted, the Office of the Federal Register lists as "Independent Establishments" such organizations as the Central Intelligence Agency (CIA), the General Services Administration (GSA), and the Arms Control and Disarmament Agency (ACDA). *United States Government Manual, 1985-86,* at vi. Obviously these entities constitute a part of the Executive Branch and are subject to the President's discretionary control through OMB. For use of the term "independent" to refer to organizations established by Congress beyond the control of the Executive, *see* the Supreme Court's decision of earlier this week in *Bowsher v. Synar,* quoted *infra* at text accompanying note 77. The many provisions within the USIP Act aimed at limiting Executive Branch control over the Institute, combined with a very clear legislative history, *see infra* at notes 81-85 and accompanying text, leave little doubt that the Institute is intended to be independent *of* Executive control.

"Independence" and the Myers *and* Humphrey's Executor *Cases*

The opening argument in your 15 May letter in support of OMB control of the USIP budget request was that "board members . . . may be removed by the President . . . ."[68] In reality, as I have already noted, there are unusual and powerful constraints on the power of the President to remove a non-governmental member of the Institute's Board of Directors. Section 1706(f) of the enabling Act provides *inter alia*:

> A member of the Board . . . may be removed by the President–
>
> (1) in consultation with the Board, for conviction of a felony, malfeasance in office, persistent neglect of duties, or inability to discharge duties;
> (2) upon the recommendation of eight voting members of the Board; or
> (3) upon the recommendation of a majority of the members of the Committee on Foreign Affairs and the Committee on Education and Labor of the House of Representatives and a majority of the members of the Committee on Foreign Relations and the Committee on Labor and Human Resources of the Senate. . . .

This is a highly unusual procedure, and would almost certainly be *unconstitutional* if the Institute of Peace were an agency of the Executive Branch. The constitutional power of the President to dismiss subordinate Executive Branch officers was established when the First Congress adopted the reasoning of James Madison in the Decision of 1789.[69] Congress sought to depart from this principle in 1876 by requiring the consent of the Senate for the President to dismiss Postmasters of certain grades; but fifty years later, in the classic case of *Myers v. United States*,[70] this statute was held unconstitutional by the Supreme Court as a violation of the separation of powers doctrine. The Court reasoned:

> The reason for the principle is that those in charge of and responsible for administering functions of government who select their executive subordinates need in meeting their responsibility to have the power to remove those whom they appoint. . . .

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[68] Ashford letter, *supra* note 1, at 1.
[69] *See, e.g.*, 1 ANNALS OF CONG. 496-97 (1789).
[70] 272 U.S. 52 (1926).

> A veto by the Senate--a part of the legislative branch of the Government--upon removals is a much greater limitation upon the executive branch and a much more serious blending of the legislative with the executive than a rejection of a proposed appointment. It is not to be implied.[71]

Were the Institute of Peace a part of the Executive Branch, as you suggest, it would be difficult in light of the *Myers* decision to reconcile the provision of section 1706(f)(3) of the Institute of Peace Act--which, under certain circumstances, gives four committees of Congress a "veto" over a presidential decision to dismiss a Board member--with the Constitution.

A subsequent Supreme Court decision narrowed the broad holding in *Myers* to limit its effect to purely "Executive" appointments. At issue in the case of *Humphrey's Executor v. United States*[72] was whether the *Myers* holding permitted the President to remove a Federal Trade Commissioner, despite legislative restrictions on such removal. After examining the legislative history, the unanimous Court concluded: "The debates in both houses demonstrate that the prevailing view was that the [Federal Trade] commission was . . . to be 'separate and apart from any existing department of the government'--not subject to the orders of the President."[73] The Court went on to conclude:

> [T]he necessary reach of the [*Myers*] decision goes far enough to include all purely executive officers. It goes no farther;--much less does it include an officer who occupies *no place in the executive department* and who exercises no part of the executive power vested by the Constitution in the President."[74]

In the 1958 case of *Wiener v. United States*,[75] the Court summarized:

> [W]hat is the essence of the decision in Humphrey's case? It drew a sharp line of cleavage between officials who were part of the Executive establishment and were thus removable by virtue of the President's constitutional powers, and those who are members of a body "to exercise its judgment without the leave or hindrance of any other official or any department of the government," [citation omitted], as to whom a power of removal exists only if Congress may fairly be said to have conferred it.[76]

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[71] *Id.* at 119, 121.

[72] 295 U.S. 602 (1935).

[73] *Id.* at 625.

[74] *Id.* at 627-28 (emphasis added).

[75] 357 U.S. 349 (1958).

[76] *Id.* at 353.

Earlier this week the Court again addressed the issue of the power of Congress to establish "independent" entities outside the Executive Branch and beyond the direct control of the President. In a footnote distinguishing the facts involved in *Humphrey's Executor* from the so-called "Gramm-Rudman" decision in *Bowsher v. Synar*,[77] the Court explained:

> Appellants therefore are wide of the mark in arguing that an affirmance in this case requires casting doubt on the status of "independent" agencies because no issues involving such agencies are presented here. The statutes establishing independent agencies typically specify either that the agency members are removable by the President for specified causes, see, e.g., 15 U.S.C. §41 (members of the Federal Trade Commission may be removed by the President "for inefficiency, neglect of duty, or malfeasance in office"), or else do not specify a removal procedure, see, e.g., 2 U.S.C. §437c (Federal Election Commission). This case involves nothing like these statutes . . . .[78]

The case of *Humphrey's Executor* focused upon a crucial distinction that I believe should be dispositive of the matter before us. Had Congress intended to establish the Institute of Peace as a component of the Executive Branch, it would not have gone to such unusual efforts to make the Institute's Board of Directors *independent* of the President's control. Whereas members of Boards of Directors within the Executive Branch are appointed to serve "at the pleasure of the President,"[79] the President is prohibited by law from dismissing a USIP Board Member except under the three situations enumerated in the enabling statute. This is a classic *Humphrey's Executor* type of situation, and the power of Congress to establish such "independent" entities cannot seriously be questioned.[80]

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[77] *Bowsher v. Synar*, No. 85-1377, slip opinion (1986) (Burger, C.J.).

[78] *Id.* at 9 n.4.

[79] *See, e.g., supra* note 35 and accompanying text.

[80] It is perhaps worth emphasizing that the *Humphrey's* case was decided by a unanimous Court, and the underlying principle was affirmed by the Court just three days ago.

Legislative History

As you acknowledge in your letter, "[t]he legislative debate, which dealt with a proposed peace academy, included discussions of the issue of independence of such an academy from executive branch constraints."[81] Typical, perhaps, of this view was the following statement by Senator Jennings Randolph during the Senate floor debate:

> The most critical question raised during the debate about the Academy is that of independence.
>
> The Academy must function with a freedom that leaves no doubt as to its academic integrity and autonomy.
>
> We desire to create an institution that, like any educational institution of good reputation, is regarded as one that is capable of free and independent analysis and inquiry.
>
> The question of autonomy and control quite naturally raises the issue of the governance of the Academy.
>
> Who will be its board of directors? . . .
>
> Our concern about an independent, freestanding Peace Academy is heightened by experience with the evolution of the Arms Control and Disarmament Agency. . . . [T]he Arms Control and Disarmament Agency lost its true ability to perform independent research and analysis because it became controlled by--administratively and bureaucratically--whichever administration happened to be in power at the time. . . . For the Peace Academy to fill that void, it is going to have to be modeled on something other than that agency [ACDA]. Its board and executive staff must be able to operate free from Federal control.[82]

Throughout its history, this concern about the Institute/Academy being independent from Federal control was manifest. For example, in its report accompanying Senate bill S.564--which provided the basis for the Hatfield Amendment that was added to the Defense Authorization bill a year later to establish the Institute--the Senate Labor and Human Resources Committee described the proposed Peace Academy as being "quasi-federal" in nature,[83] and stressed that employees and officers of the Academy were "exempt from federal employee status except in certain situations" in order "to guarantee the Academy's independence . . . ."[84] In their Additional Views, Senators Randolph and Matsunaga--two of the principal cosponsors of the bill--added:

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[81] Ashford Letter, *supra* note 1 at 2. I might note at this point that, had Congress intended the Institute/Academy to be a part of the Executive Branch, it would hardly have expressed concern about keeping the new organization independent "from executive branch constraints."

[82] 130 CONG. REC. S 7793 (daily ed., 20 June 1984). *See also*, Randolph, "Themes From the Legislative Debate," in *The Hundred Percent Challenge: Building a National Institute of Peace* 111, 116, 118 (C. Smith, ed., 1985) ("The most important question, in my judgment, is the institute's independence. . . .The institute's board and staff must be permitted to operate on a daily basis free from government demands, control, or interference. The legislation contains . . . safeguards.")

[83] S. Rep. No. 98-244, 98th Cong., 1st Sess. 16 (1983).

> The Peace Academy, in the view of the Committee, should be an independent, semi-autonomous agency and not just an adjunct to an existing federal department or agency. S. 564 . . . attempts to insulate the Academy from direct partisan political influence. This will enhance the Academy's credibility both at home and abroad, and will enhance the Academy's status as a symbol of the United States' dedication to world peace.[85]

I would add that expressions of congressional concern about the Institute's ability to remain independent of Executive Branch control have surfaced during both of our appropriations hearings and in several private conversations with key Members and their staffs.

OMB AND THE USIP PERSONNEL CEILING

On a related subject, you have indicated a belief that OMB is authorized to establish a personnel ceiling for the Institute of Peace. While it is true that under various Pay Acts, OMB is empowered to establish personnel ceilings for Federal agencies,[86] just as USIP does not appear to be a Federal agency for purposes of OMB legislative clearance (as distinct from "review"), the same principle would seem to apply to OMB's setting USIP personnel strength. Congress clearly limited the President's authority to dismiss Board Members as a means of ensuring that the Institute would be independent of the political influence of any particular Administration. This objective would be subverted if, through OMB, an Executive could display displeasure with the Institute by dramatically reducing its budget *or* by curtailing the size of its staff. Even the theoretical possibility of such a response might have a chilling effect upon the independence of the Board's deliberations.

Furthermore, it is difficult to believe that OMB is really convinced that it has clear authority to establish limits on the Institute's staff size. The Administration sought without success last year to have a statutory limit on the size of the Institute's staff enacted as one of several proposed amendments to the USIP Act in order to "minimize the risk that the Institute would become an additional layer of costly bureaucracy."[87] If OMB already possessed independent authority to set such a limit, the only purpose that would be served by such an amendment to the statute would be to limit OMB's flexibility.

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[84] *Id.* at 30.

[85] *Id.* at 36.

[86] *See, e.g.*, Parris, *supra* note 4 at 20.

CONCLUSION

The *United States Institute of Peace Act* specifically addresses the proper relationship Congress intended to exist between OMB and USIP. Section 1709(a) permits OMB "to review and submit comments on the Institute's budget request *at the time it is transmitted* to the Congress." [Emphasis added.] No provision is made for OMB "clearance" of testimony or for any OMB authority to modify a budget request--although Congress clearly knows how to so provide when that is its intent[88]--but only to "review" and "comment on" the Institute's budget request. The language "*the Institute's* budget request" (emphasis added) is not compatible with an expectation that the Institute would simply present to Congress a request formulated by OMB, and the phrase "at the time it is transmitted to the Congress" is hardly conducive of an interpretation that OMB must "approve" and may control the content of the Institute's proposal *prior* to its submission to the Hill. The language clearly seems designed to ensure that Congress will have the benefit of the President's thinking on the Institute's budget, not to authorize OMB to substitute its own judgment for that of the Institute's Board of Directors.

I do not question that OMB fulfills a critical function in assisting the President to maintain control over the various elements of the Executive Branch. Indeed, central legislative clearance has been characterized as "one of the most powerful tools of the President."[89] But it must be recognized that, at its root, this is a coercive authority. Agencies which are at OMB's mercy as to the amount of their budget and even as to whether they shall be included in the budget at all, are unlikely to risk incurring the displeasure of the incumbent President.[90] This is fully appropriate *vis-à-vis* Executive Branch agencies, as it helps the President maintain a proper constitutional control of his subordinates. But whatever its value when operating within the Executive Branch, this sort of presidential control is entirely inconsistent with both the statutory text and the spirit and language of the entire debate over the Institute's independence.

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[87] See the letter dated 12 April 1985 from Assistant Secretary of State Will Ball to House Speaker Tip O'Neill proposing amendments to the Act, *reprinted in* Woldman, "The United States Institute of Peace" 10 (Library of Congress, Congressional Research Service Report 86-15F, 23 January 1986).

[88] *See, e.g., supra* note 20 and accompanying text.

[89] Gilmour, *supra* note 6, at 150.

[90] This is all the more true if agencies are bound to defend the OMB budget figures without dissent before Congress.

If OMB were held to possess this tremendous authority, it might well have a significant "chilling effect" on the Institute's Board of Directors. Just as a presidential power to remove members of the Board of Directors could coerce the Institute to obey political instructions from an incumbent Administration,[91] this same result could be achieved by effectual control over the Institute's budget. The knowledge that the displeasure of the political party in power in the Executive Branch could result in the Institute's experiencing massive budget cuts--or even its total elimination from the budget--would provide the incumbent Administration with essentially the same degree of influence over the Institute that would have existed had Board Members been permitted to retain their positions only during the continued "pleasure of the President"--an option clearly *rejected* by Congress.

Again, this is not to deny the importance or legitimacy of OMB's role in the Government--a role enhanced by the national priority of controlling deficit spending and reducing budget outlays. As you note in your letter, "the legislative review and coordination function is intended to assist the President in developing and presenting Congress a coherent, coordinated legislative program . . . . OMB's coordination of legislative proposals . . . achieves important objectives for the Administration, agency, and Congress: . . . it facilitates the development of a consistent *Administration position* on legislation . . . ."[92] We recognize the usefulness of allowing OMB to review budget proposals and provide its thinking to Congress on how they relate to the President's overall budget plan. This authority is expressly established in the Institute's enabling legislation.[93] It is not difficult to understand--especially in a tight budget year--why Congress might decide to be guided by the OMB recommendation. But there is a tremendous difference between allowing OMB "to review and submit comments on the Institute's budget request," and permitting OMB to set the actual request level and then control the content of the Institute's testimony before Congress on its budget request. Nothing in the Act even *hints* at conferring such a power on OMB, and--as I have already argued--such dramatic control over the Institute would have a chilling effect on the Institute's intellectual freedom and independence that is totally at odds with both the language and the legislative history of the USIP Act.

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[91] The Supreme Court observed earlier this week: "'Once an officer is appointed, it is only the authority that can remove him, and not the authority that appointed him, that he must fear and, in the performance of his functions, obey.'" *Bowsher v. Synar*, No. 85-1377, slip op. at 10 (1986) (Burger, C.J., quoting *Synar v. United States*, 626 F. Supp, 1374, 1401 (D.D.C. 1896).

[92] Ashford Letter, *supra* note 1 at 2. [Emphasis added.]

[93] *United States Institute of Peace Act*, Pub. L. 98-525, §1709(a): "Nothing in this title may be construed as limiting the authority of the Office of Management and Budget to review and submit comments on the Institute's budget request at the time it is transmitted to the Congress."

As I have tried to demonstrate, none of the statutes authorizing OMB to control the content of legislative testimony or modify budget proposals to Congress apply to the Institute. These functions, as you acknowledge,[94] relate to OMB's management of the *Executive Branch* . Although your letter attempts to characterize USIP as an agency of the Executive Branch,[95] it actually makes a more qualified claim: "In fact, the congressional concern that the USIP have the stature and access accorded a 'national' institute suggests that Congress intended the organization to have a home, *if not within, then under the auspices of* the Executive Branch." [Emphasis added.[96]

I think we should be able to agree that USIP is *not* "within . . . the Executive Branch." As for being "under the auspices of the Executive Branch," in one sense this is at least partially true. Under section 1705(n) of its enabling Act--a provision which, I might note, was added as something of an afterthought by the Conference Committee as a convenience to the Institute[97]--"[t]he Institute may obtain administrative support services from the Administrator of General Services on a reimbursable basis." As already noted, this provision is both permissive in nature and similar to that found in statutes of other organizations which are not "agencies" of the Executive Branch of government. A similar provision in an earlier version of the bill was accompanied by specific language stressing that this relationship would not create any "administrative, planning or other control over the operation of the United States Peace Academy . . . ."[98]

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[94] Ashford Letter, *supra* note 1 at 1, 5.

[95] That characterization would appear to be an essential element of your case, as I understand it.

[96] Ashford Letter, *supra* note 1 at 1.

[97] *See* U.S. CODE CONG. & ADMIN. NEWS, No. 10A, Dec. 1984, 98th Cong, 2d Sess, Conf. Rept. on DoD Auth. Act, 1985 (Pub. L. 98-525) at 4331.

[98] S. REP. NO. 98-244 at 17. Discussed *infra*, note 105.

Your letter also observes[99] that the Institute may obtain Executive Branch personnel on a reimbursable detailee basis.[100] This is hardly conclusive or even suggestive that USIP is an agency of the Executive Branch. There are many programs which permit Executive employees to work within non-government institutions.[101] Even more important, the same provision which permits the Institute to obtain staff members on detail from the Executive Branch expressly provides that staff may also be borrowed from the Legislative Branch.[102] By your reasoning, the Institute would also be an agency of Congress. That, too, would be an erroneous conclusion.

You also rely upon the fact that the Institute is authorized to work with classified material[103] as further evidence that it is an agency of the Executive Branch.[104] However, acceptance of this reasoning would bring within the Executive Branch the RAND Corporation, United Technologies, and thousands of other organizations and individuals who lawfully are provided with security clearances to perform government-related work. (Presumably, congressional committees which deal with classified Executive Branch documents pursuant to security clearances granted by the Executive Branch would suffer a similar fate.)

Certainly the limited support the Institute is presently receiving from the Office of Administration, Executive Office of the President, is consistent with the legislative spirit that it may enter into contracts with elements of the Federal Government to assist it in its work. But the fact that USIP obtains personnel assistance from GSA does not make its personnel "Federal

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[99] Ashford Letter, *supra* note 1 at 1.

[100] *United States Institute of Peace Act*, § 1707(d)(1).

[101] When I was a fellow at Stanford's Hoover Institution fifteen years ago, there was a program which permitted a State Department or other Executive Branch agency employee to spend a year or so in residence. I am informed that there are literally scores of programs which assign government employees to work for brief periods of time with non-government organizations.

[102] *United States Institute of Peace Act*, § 1707(d)(1) ("The president may request the assignment of any Federal officer or employee to the Institute by an appropriate department, agency, *or congressional office or Member of Congress* and may enter into an agreement or such assignment . . . ." (Emphasis added.)

[103] *Id.* at § 1705(b)(10).

[104] Ashford Letter, *supra* note *1* at 1.

Government employees," and the fact that it leases a townhouse[105] and purchases some supplies through the Executive Office of the President does not make it a legal component of the EOP (or of the Executive Branch). Indeed, the statutory provision which permits the Institute to obtain support from GSA, deal exclusively with non-government sources, or deal with a mixture of government and non-government sources, *strengthens* the argument that the Institute was not designed to be an agency of the Executive Branch. Certainly this is not a characteristic attribute of traditional Executive agencies.

It is also interesting to note that the Department of State has characterized the quasi-official nature of the Institute. In discussing the proposed Peace Academy (prior to its transformation in conference to the Institute), the Department of State described it as a "quasi-governmental institution"[106] and as "a Federal Government supported institution . . . ."[107]

The reality is that the Institute's legal relationship with elements of the Federal Government is established by Congress, and even if it *wished* to become an EOP or Executive Branch agency, it simply lacks the *power* to bring about such a result. That decision was made by Congress.

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[105] *Id.* The question of the leasing of office space bringing with it Executive Branch *control* over the proposed Peace Academy was addressed several times during Senate consideration of S. 564 (upon which our enabling legislation was based). Thus, it was at one point recommended that the Academy might consider leasing space from the National Defense University, but the Committee report added: "Should the Board make a decision to pursue this suggestion, the Committee would certainly expect that the Department of Defense would have no administrative, planning or other control over the operation of the United States Peace Academy, other than by way, for example, of normal lessor's rights retained in the event of a lease." S. REP. NO. 98-244, 98th Cong., 1st Sess. 17 (1983). Similarly, Additional Views by Senators Randolph and Matsunaga referred to "the Committee's findings that even if its principal offices are located on federal property as a cost-saving measure, the Academy should be an independent entity . . . ." *Id.* at 36.

[106] Quoted in *id.* at 41 (Minority Views of Messrs. Quayle, Nickles, Denton, Grassley, East, and Mrs. Hawkins).

[107] Letter from Assistant Secretary of State Powell A. Moore, to the Hon. Clement J. Zablocki, dated 29 June 1983, reprinted in *id.* at 44. The same letter also referred to the Academy as "a new government-supported institute . . . ."

A PROPOSED USIP-OMB RELATIONSHIP

On the basis of the research I have thus far done--which, while not exhaustive, has involved a review of numerous statutes, and telephone conversations with representatives from several other orgnizations--it seems to me that the following principles should guide the relationship of the United States Institute of Peace with the Office of Management and Budget:

- Consistent with our obligations under the law, I would hope that we could have a mutually beneficial, cooperative, and constructive relationship.

- To assist OMB with its important function of preparing a budget for the President to recommend to Congress, USIP should cooperate with OMB and submit a budget request in a timely manner for consideration for inclusion in the President's Budget. OMB may in its presentation to Congress reduce, increase, or otherwise modify this information to reflect the President's preferences. However, this should not prevent the Institute, when it appears before the Congress during the authorization and appropriations processes, from presenting and defending its own figures. Congress should have the benefit of both the President's preferences and the recommendations of the Institute's independent Board of Directors.

- Although OMB should not be permitted to "clear" or control the content of USIP congressional testimony, and although the statutory language does not *require* advanced submission of USIP testimony, as a matter of courtesy USIP may wish to provide copies of its prepared congressional testimony to OMB on an informational basis. In so doing, however, the Institute would not be acquiescing in OMB "clearance" or censorship of the testimony. Any OMB comments would be considered on their merit as suggestions.

LETTER FROM JEFF H. ASHFORD

FEB 16 1987

Mr. Charles D. Smith
United States Institute of Peace
730 Jackson Place, N.W.
Washington, D.C. 20503

Dear Charles,

Thank you for the copy of the Institute's draft Congressional Presentation document, which I have reviewed. I have no difficulty in its treatment of the structure, history, and general plans and programs of the Institute; however, the presentation should not be submitted to Congress in its present form, containing as it does an appropriations and personnel request at variance with the President's Budget.

To be acceptable, the presentation must conform to the President's Budget in all respects, as spelled out in OMB Circular A-11, Sections 11.1-11.9. This means that there can be no reference to any other budget, including overall estimates; and amounts for particular programs must relate to the President's Budget. In addition, approval for any publication, even if authorized in statute, must be approved in accordance with OMB Circular A-3 prior to inclusion in a Congressional Presentation. I enclose copies of the pertinent sections of the above mentioned Circulars, as well as a recent memorandum from the Director on the subject of supporting the President's program.

I appreciate your candor with me, and know that we will continue to discuss these matters in the same cooperative spirit.

Sincerely,

Jeff

Jeffrey H. Ashford
Budget Examiner

February 13, 1987

M-87-20

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: James [illegible] III
Director

SUBJECT: Support for the President's program

The President faced a number of very difficult choices in preparing his FY 1988 budget and legislative program. The program he approved is a balanced one for the nation; each part is consistent with the whole, having been considered in relationship to the other parts and to the urgent need to reduce the Federal deficit.

It is incumbent on all of us to support the President's program staunchly at all times, especially when testifying before Congressional committees and when talking with the press or public groups. We must not make his task more difficult by making public or private statements that can be interpreted as preferring higher budget estimates or different programs from those he has approved. It is important that this be understood clearly at all levels of the Federal government. To help ensure that it is, please remind your subordinates that the President deserves and expects their full support for all aspects of the program he has presented to Congress.

Thank you for your support.

GENERAL INFORMATION AND POLICIES

General Requirements

11.1. Application of instructions.

These instructions apply to the preparation of annual budgets for all agencies of the Government and privately owned, Government-sponsored enterprises, except that the general policies, justification requirements, and instructions on additional data and hearings are not applicable to the budgets not subject to executive branch review. These include the legislative branch, the judiciary, the Federal Deposit Insurance Corporation, the Milk Market Orders Assessment Fund of the Department of Agriculture, the Farm Credit Administration, the International Trade Commission, the Federal Reserve System Board of Governors, and the budgets for the following privately owned, Government-sponsored enterprises:

Student Loan Marketing Association
Federal National Mortgage Association
Banks for cooperatives
Federal intermediate credit banks
Federal land banks
Federal home loan banks
Federal Home Loan Mortgage Corporation

These instructions apply until further notice. Budget submissions must be prepared in accordance with these instructions unless a specific exception is made in writing by the Office of Management and Budget, hereinafter referred to as OMB. Requests for exceptions must be submitted in writing to OMB by *August 1. Exceptions approved by OMB are only valid for 1 year.*

Agency budget officers or their representatives are invited to consult OMB representatives on the application of these instructions.

11.2. General definitions.

The following phrases are used in lieu of naming specific fiscal years:

Past year—1 (PY—1)—the fiscal year immediately preceding the past year.
Past year (PY)—the fiscal year immediately preceding the current year, the last completed fiscal year.
Current year (CY)—the fiscal year immediately preceding the budget year.
Budget year (BY)—the next fiscal year for which estimates are submitted.
Budget year +1 (BY+1)—the fiscal year following the budget year.
Budget year +2 (BY+2)—the second fiscal year following the budget year.
Budget year +3 (BY+3)—the third fiscal year following the budget year.
Budget year +4 (BY+4)—the fourth fiscal year following the budget year.

In this Circular, the word "agency" is used to designate departments and establishments; the word "bureau" is used to designate principal subordinate organizational units. Requirements with respect to bureaus apply only in those cases where appropriations are made on the basis of bureaus or comparable units.

11.3. Time for submission of budget materials.

Agency estimates will be submitted to OMB for the consideration of the President as follows:

(*a*) *Initial submission.*—This submission will consist of the materials listed in section 15.1 and such additional materials as may be specified by OMB representatives.

(1) The initial submissions for cabinet departments and all other executive agencies, including the initial submission of estimates for the District of Columbia, are due not later than September 1.

(2) The estimates of other agencies not subject to executive branch review are due not later than October 15.

(3) The estimates of the legislative branch and the judiciary are due in accordance with time schedules to be supplied by OMB.

(*b*) *Computer materials.*—Computer materials will be submitted in accordance with time schedules to be supplied by OMB (see sections 15.1 and 15.2).

(*c*) *Print materials submission and related information.*—Print materials and related information will be submitted in accordance with schedules to be supplied by OMB (see sections 15.1 and 15.3).

(*d*) *Other submission requirements.*—Requirements for additional materials are specified in section 15.1 and generally will be submitted after final budget determinations are made.

11.4. Advance approval.

Advance approval by OMB is required for:

(*a*) Development of program proposals and exhibits to support justifications, not specifically provided herein, that are necessary to present the program and financial requirements.

(*b*) Changes in budget structure (including proposed new accounts and changes in the titles and sequence of existing accounts) and other changes in the method of financing a program. Approval for these changes should be requested by October 1, unless pending decisions require a later request date. When prospective internal reorganizations are likely to necessitate budget structure changes, OMB approval of the revised budget structure should be obtained prior to the reorganization. A request for such approval, in the form of a letter or memorandum, must be submitted as early as possible. In general, appropriation accounts should provide the basis for effective control over agency programs and should facilitate the presentation of information for both the congressional and the executive branch budget processes. Toward this end, new programs that are closely related to existing appropriation accounts should be included in those accounts. Major new programs that are significantly different from others in substance or in type (e.g., loans, grants, open-ended benefit programs) should be in separate budget accounts. Generally, programs falling under different subfunctions will not be combined in one account.

If the change results from late congressional action or other circumstances beyond agency control, the request shall be submitted as soon as possible. Until such requests are approved, budget materials should be based on the existing structure. Approved changes will be reflected in the budget schedules and other materials when they are revised.

(*c*) Changes in assignment of functional, subfunctional, and character classification codes to existing accounts (see sections 21.3 and 25.4). Requests for such changes should be made prior to the initial budget submission.

(*d*) Changes in activity structure, including the use of subactivities, for the program and financing schedules (see section 32.2). Requests for such changes should be submitted prior to the initial budget submission.

(*e*) Proposed substantive changes in appropriation language. Such changes should accompany the initial budget submission (see section 31.3).

11.5. Accuracy and consistency.

In preparing the budget submission, data will be reported as accurately as possible. Obligations for the past year must have firm accounting support and be consistent with law and regulations and with any reports made to the Congress. Agency budget officers are responsible for ensuring that offsetting collections, appropriations, transfers, outlays, and balances for the past year agree with the corresponding amounts reported in the final Report on Budget Execution (Standard Form 133) and to the Department of the Treasury (see section 32.8). The current year's transactions will be estimated as accurately as possible within the limits of funds presently available or expected to become available during the year.

Section 1108(c) of Title 31, United States Code, requires the head of each Federal agency, in connection with the submission of all requests for proposed appropriations to OMB, to certify that any statement of obligations furnished therewith consists of valid obligations as defined in section 1501(a) of that title. This certification will be included in the summary and highlight memorandum (see section 24.1) or transmitted separately by the agency head at a later date. In any event, it must be received not later than *November 20.* The certification may be in the form of the following paragraph:

"As required by section 1108(c) of Title 31, United States Code, I am reporting that all statements of obligations furnished to the Office of Management and Budget in connection with the [name of agency] requests for proposed appropriations for the fiscal year 19[BY] consist of valid obligations as defined in section 1501(a) of that title."

The primary responsibility for reviewing the status of its accounts rests with the agency managing the appropriation or fund. Agencies should recognize that the reports required by the Department of the Treasury form the basis for compilation and publication of data on *over-expended* or *over-obligated* appropriation or other fund accounts resulting from agency operations that may be in violation of the Antideficiency Act (31 U.S.C. 1341). Disposition of over-expended or over-obligated amounts is the sole responsibility of the agency managing the appropriation or fund. Agency heads should be aware that, in connection with those reports, they are certifying that obligations are valid and viable and that the amount of obligations or expenditures incurred is proper.

Responsibility is as follows for estimating and reporting charges and credits between accounts:

(*a*) *Where allocations are used.*—The agency administering the parent account will compile and submit all necessary material (see section 15.4). That agency will obtain whatever information it needs for this purpose from the receiving agencies.

(*b*) *Where payments are made to other appropriations, to revolving funds, to management funds, and to trust funds.*—The paying agency will include in its schedules obligations in the amount of the payment. The receiving agency will report such amounts as offsetting collections credited to the appropriation, fund, or receipt account, as appropriate (see sections 21.1 and 32.3).

(c) Adjustments of appropriations and balances.—Where there are authorized transfers between accounts that represent adjustments in the amounts appropriated or in balances previously appropriated, both the paying and receiving agencies will be responsible for seeing that the amounts included are identical in the schedules of both the losing and gaining accounts.

(d) Agency Federal Financing Bank (FFB) accounts.—Activities of the FFB that serve to finance the program of a given agency will be displayed in separate schedules (program and financing and credit) immediately following the associated program account. Agency FFB accounts will contain data concerning the lending program that the FFB carries out for the program agency.

11.6. Hearings on agency estimates.

When it appears desirable either to OMB representatives or to the agency, arrangements will be made for a hearing with officials of the agency following the submission of the estimates. The hearing offers an opportunity for OMB to obtain a better understanding of the policies, programs, and problems of an agency, including efforts to improve agency management and the delivery of programs. It enables the agency to supplement the written material submitted with an oral statement of the issues involved and to answer questions concerning them.

Agencies should be prepared to furnish, for each appropriation or fund, at the time of hearings before OMB, such additional information as may be requested.

11.7. Conforming to determinations.

When an agency is informed of determinations or when otherwise required by OMB, all print and computer material will be revised immediately to reflect the action taken (see sections 15.2 and 15.3).

All changes that affect another appropriation or fund account (such as the amount of transfers) must be cleared with those responsible for the budget submission for such accounts.

11.8. The executive and congressional budget processes.

OMB prescribes the executive budget formulation process, in accordance with the Budget and Accounting Act of 1921, as amended. The steps reflected in the following timetable focus on the transmittal of the Budget of the United States Government (the President's budget) and subsequent updates of the budget. The budget must be transmitted to the Congress on the first Monday following January 3. Agencies will be required to furnish supporting materials for review and updates in advance of the dates listed in the following table.

The Congressional Budget Act of 1974 (2 U.S.C. 621), as amended, established new congressional budget procedures and the following timetable:

ACTION TO BE COMPLETED

The Executive Budget Process	Timing	The Congressional Budget Process
Agencies subject to executive branch review submit initial budget request materials	September 1	
President reports on Defense contracts proposed to be terminated or modified to the General Accounting Office (GAO) and the Committees on Armed Services and Appropriations	September 5	
Fiscal year begins	October 1	Fiscal year begins
President's initial order takes effect (sequestered or reduced amounts are withheld from obligation pending issuance of final order)	October 1	
OMB–CBO provide changes in initial estimates and determinations resulting from legislation enacted and regulations promulgated after the initial report to GAO.	October 5	
	October 10	GAO submits a revised report to the President
President issues final order which is effective immediately	October 15	
Agencies not subject to executive branch review submit initial budget request materials	October 15	
Legislative branch and the judiciary submit initial budget request materials	November–December	
President submits his budget to the Congress	1st Monday after January 3	Congress receives President's budget
OMB sends allowance letters to agencies	January–February	
	February 15	Congressional Budget Office reports to the Budget Committees on the President's budget
	February 25	Committees submit views and estimates to budget committees
OMB and the President conduct reviews to establish Presidential policy to guide agencies in developing the next budget	April–June	
	April 1	Budget committees report concurrent resolution on the budget
	April 15	Congress completes action on concurrent resolution
	May 15	House may consider appropriations bills in the absence of a concurrent resolution on the budget
	June 10	House Appropriations Committee reports last appropriations bill
	June 15	Congress completes action on reconciliation legislation
	June 30	House completes action on annual appropriations bills
President submits mid-session update of the budget estimates	July 15	Congress receives mid-session update of the budget estimates
OMB provides agencies with policy guidance for the upcoming budget	July–August	
OMB-CBO "snapshot" of projected deficits	August 15	
OMB-CBO report estimates and determinations to GAO	August 20	
	August 25	GAO submits initial report setting forth the contents of the OMB-CBO report, which upon enactment, is presented to the President for approval
President issues initial sequester order and sends message to Congress	September 1	

In exercising their responsibilities under the Act, congressional committees, the Congressional Budget Office (CBO), and the General Accounting Office (GAO) will be requesting additional budgetary information. Agencies should be prepared to furnish, upon request and to the extent practicable, information on authorizing legislation by programs, budget functions and subfunctions, accounts, organization, and estimates (budget authority, obligations, and outlays) related to authorizations, enacted or currently before the Congress, for the *current* and *prior fiscal years* other than supplementals or rescissions for the current year, for each title and section of authorizing legislation. Information relating to prior and current years other than supplementals or rescissions for the current year may be supplied before the President's budget has been officially transmitted to the Congress.

Agencies should also be prepared to furnish, upon request, information for all the years included in the President's budget relating to amounts authorized (budget authority, obligations, outlays) and related information for specific provisions of legislation that authorize or are proposed to authorize each program or activity in its submissions with respect to the President's budget, the current services estimates, estimates related to new legislative proposals, and financial assistance to State and local governments. Agencies should furnish this information to congressional committees, CBO, or GAO only *after* the basic documents or proposals, that the information requests are intended to amplify, have officially been transmitted to the Congress.

11.9. Responsibilities for disclosure with respect to the budget.

(a) Agency testimony before and communications with Congress on budgetary matters.—The nature and amounts of the President's determinations are confidential and will not be released until the budget is transmitted to Congress. The Executive Branch communications that have led to the preparation of the budget will not be disclosed either by the agencies or by those who have prepared the budget.

In furnishing information on appropriations and budgetary matters, representatives of agencies should be aware of the limitations on such communications, including the limitation that:

> ". . . An officer or employee of an agency may submit to Congress or a committee of Congress an appropriations estimate or request, a request for an increase in that estimate or request, or a recommendation on meeting the financial needs of the Government only when requested by either House of Congress" (31 U.S.C. 1108(e)).

Furthermore, agency representatives should be aware of restrictions upon communications to influence legislation that are not conducted through proper official channels (18 U.S.C. 1913).

Following formal transmittal of the budget, an amendment, or a supplemental appropriation request, agency representatives will be guided by the following policies pertaining to budgetary matters when testifying before any congressional committee or communicating with Members of Congress.

(1) Witnesses will give frank and complete answers to all questions.

(2) Witnesses will avoid volunteering personal opinions that reflect positions inconsistent with the program or appropriation request the President has transmitted to the Congress.

(3) If statutory provisions exist for the direct submission of agency budget estimates to the Congress, OMB may provide agencies with additional materials supporting the President's budget request to be forwarded by the agency to Congress with agency testimony. Witnesses for such agencies will be prepared to explain the agency submission, the request in the President's budget, and any justification material.

(4) In responding to specific questions on program and appropriation requests, witnesses will refrain from providing plans for the use of appropriations that exceed the President's request. Witnesses, typically, bear responsibility for the conduct of one or a few programs, whereas the President must weigh carefully all of the needs of the Federal Government, and compare them against each other and against the revenues available to meet such needs. Where appropriate, witnesses should call attention to this difference in scope of responsibility in explaining why it is not proper for them to support efforts to raise appropriations above the amounts requested by the President.

(5) Where there is a request for a written submission that will involve a statement of opinion relating to program and appropriation requests, witnesses will arrange for a reply to be provided through the head of the agency.

(6) Agency representatives should be careful that their communications are not perceived to be an "appropriations estimate or request . . . or an increase in that estimate or request. . . ." (31 U.S.C. 1108). Agency representatives are expected to support the President's budgetary decisions and seek adjustments to those decisions through established procedures for budget amendments or supplemental appropriation requests if the agency head determines such action to be necessary.

(b) Clearance of budget related materials for the Congress and the media.—Policy consistency is essential among the formal documents of the President's budget, and the various budget-related materials prepared by the agencies for the Congress and the media. Clearance of these agency materials by OMB helps achieve that consistency.

Agencies will submit to OMB, for clearance prior to transmittal to congressional committees or individual Members of the Congress or their staff, all proposed budget justification materials. Agencies also will submit to OMB for clearance budget-related oversight materials.

This information, including initial budget justifications; testimony before and letters to congressional committees; written responses to congressional inquiries or other materials for the record; materials responding to committee and subcommittee reporting requirements; capability statements; appeal letters; reprogramming requests; related cost information; and budget-related materials provided to other Congressional committees in response to their oversight activities will be provided to OMB in such a manner as to allow OMB five working days to review the material. In exceptional circumstances where the response time to the Congress is very short, agencies may request oral clearance of these materials or make other arrangements with their OMB representatives.

Agencies will provide OMB representatives, immediately after the transmittal of the budget, with a schedule of anticipated congressional reviews of budget materials that require agency oral and written participation. These schedules will be revised whenever appropriate. Schedules will also be submitted to OMB for anticipated reviews of subsequent transmittals of budget requests.

Agencies will also submit to OMB for clearance their proposed press releases relating to the President's budget.

Any questions about coverage of this section, timing, or scope of review should be discussed with the OMB representatives who are normally consulted on budget-related matters.

(c) Clearance of changes in the President's budget.—The prohibition against submissions by agencies to Congress of estimates or requests for appropriations without the approval of the President or request of either House of Congress applies to changes in appropriation language and to changes in the limitations recommended in the budget. When an agency desires to propose such changes, written requests will be presented to OMB (in accordance with section 39).

When it is possible to reduce the amount of a request for appropriations before action has been taken by the Appropriations Committee of either House, the head of the agency will promptly inform OMB. If significant changes are planned in the amount requested or the conditions pertaining to a program of the agency without changing proposed appropriation language contained in the budget on which Congress has been requested to act, the agency will inform OMB. OMB will inform the agency as to whether or not a formal transmittal of the change will be made. This procedure applies to appropriation requests as well as to other estimates, e.g., business-type statements required by the Government Corporation Control Act.

Any decision by an agency head to request restoration of a reduction should be carefully considered, taking into account the reasons for the reduction, the circumstances under which it was made, its significance from the standpoint of the President's program, and other relevant factors.

(d) Information available to the public.—An agency may disclose budgetary records of that agency, if otherwise appropriate, upon a request for such records pursuant to the Freedom of Information Act (FOIA) following the end of the fiscal year to which such information pertains. Although it is not possible to determine merely by the generic category of records whether an agency would be authorized to withhold records requested under the FOIA in every instance, most budgetary documents of an agency that are subject to the FOIA should be exempt from mandatory release pursuant to the provisions of 5 U.S.C. 552(b)(5). An agency should not release such records prior to the expiration of the fiscal year to which such records pertain. Depending upon the nature of the record requested other exemptions to the FOIA may apply, or the release of records within 5 U.S.C. 552(b)(5) may be inappropriate even after the end of the fiscal year to which the records pertain. Agency heads will be held responsible for determining the propriety of releases of records under the FOIA pertaining to budgetary matters.

Certain agencies headed by a collegial body may be required to hold their meetings open to public observation unless the agency properly determines that the matter to be discussed warrants the closing of those meetings for reasons enumerated in the Government in the Sunshine Act (Public Law 94-409). Some meetings covered by that Act may pertain to budgetary information discussed in this Circular. Although, as with the FOIA, it is not possible to determine merely by the generic category of such information whether such an agency would be authorized to close a particular meeting covered by the Government in the Sunshine Act, the premature disclosure of budgetary information may "be likely to significantly frustrate implementation of proposed agency action" (5 U.S.C. 552b(c)(9)(B) added by section 3(a) of Public Law 94-409). Furthermore, other exemptions from the open meeting requirements of the Act may apply. Such agencies will be held responsible for the propriety of determinations that would lead to the disclosure of this budgetary information.

MEMORANDUM FROM GEORGE P. SHULTZ, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, EXECUTIVE OFFICE OF THE PRESIDENT

May 18, 1972

CIRCULAR NO. A-3
Revised

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Government periodicals.

1. Purpose. This Circular prescribes the policy and uniform procedures governing the determination by agency heads and the approval by the Director, Office of Management and Budget, for agencies to use from the appropriations available for printing and binding, such sums as are necessary for the printing of journals, magazines, periodicals, and similar publications.

2. Rescission. This revision supersedes and rescinds OMB Circular No. A-3, Revised dated March 20, 1962.

3. Requirements of approval. Section 1108 of title 44, United States Code, as amended provides as follows:

> "The head of an executive department, independent agency or establishment of the Government, with the approval of the Director of the Office of Management and Budget, may use from the appropriations available for printing and binding such sums as are necessary for the printing of journals, magazines, periodicals, and similar publications he certifies in writing to be necessary in the transaction of the public business required by law of the department, office, or establishment. There may be printed, in addition to those necessary for the public business, not to exceed two thousand copies for free distribution by the issuing department, office, or establishment. The Public Printer, subject to regulation by the Joint Committee on Printing, shall print additional copies required for sale to the public by the Superintendent of Documents; but the printing of these additional copies may not interfere with the prompt execution of printing for the Government."

4. Definitions.

a. Periodicals.

(1) The term "journals, magazines, periodicals, and similar publications" (hereinafter called periodicals) will be construed to refer to publications issued semiannually or more often for the purpose of disseminating useful information with continuing policy as to format, specification, content, and purpose. In accordance with the Government Printing and Binding Regulations, published by the Joint Committee on Printing, the term periodical "shall be construed as not applying to strictly administrative reports, memoranda, and similar materials, or to strictly statistical materials, and information required exclusively for the official use of the issuing office or service in the transaction of its routine business. Such information shall be construed as being required exclusively for the use of the issuing office or service in the transaction of its routine business if not more than 2,000 copies, or not more than 10 percent of the total quantity printed, whichever is lesser, are for free distribution to other than the issuing department,

office, or establishment, its officially established auxiliary organizations, and other individuals and organizations required to be kept informed in the transaction of the routine business of the department, office, or establishment." These exceptions are construed to cover laws, regulations, instructions, opinions, decisions, official notices, circulars, and internal information bulletins.

(2) The exception above for "strictly statistical materials" does not apply to a periodical which includes statistics from sources other than the agency issuing the publication, or which includes analytical or interpretive text. The exception does apply to a report which is the medium for issuing statistics for a single series and its components.

b. Printing. The term "printing" will be construed to mean reproduction by those methods which are defined as printing in the Joint Committee Regulations, whether printed at the Government Printing Office or elsewhere.

5. General Policy.

a. Necessity. Periodicals, as required by the Joint Committee Regulations, "shall be devoted to the work which the branch or officer of the Government issuing the same is required by law to undertake, and shall not contain matter which is unnecessary in the transaction of the public business or matter relating to work which any other branch of the Government service is authorized to perform." Periodicals will not contain editorials, book reviews, or articles which are intended solely to foster or obtain the support of persons outside the Government for an agency, or which can be construed as advocacy of increased appropriations or of legislation.

b. Mailing Lists. Mailing lists for distribution of periodicals will be revised in accordance with the Joint Committee Regulations.

6. Additional Agency Responsibility. In addition to the requirements of this circular, agencies are responsible for complying with all applicable Government Printing and Binding Regulations issued by the Joint Committee on Printing including those which relate to the control of printing costs and to permissible content (e.g., illustrations and advertisements), style and quality of Government publications.

7. Request for first approval. An agency desiring to issue a new periodical will request approval by letter, including or accompanied by a certificate of necessity as prescribed in paragraph 10 below, to the Director of the Office of Management and Budget. This letter will give the following information concerning the proposed periodical:

a. Description.

(1) Name of periodical.

(2) Name of issuing agency, bureau or other organizational unit.

(3) Proposed frequency of issues.

(4) General content.

(5) Maximum number of copies per issue for (a) official use and (b) free distribution.

(6) Estimated annual cost including separate indication of (a) costs of printing and binding, and (b) costs of salaries, materials, and other expenses associated with preparing the periodical.

(7) Appropriation(s) to be charged.

b. Justification.

(1) Comprehensive statement of the necessity for the periodical, including any specific statutory authorization for the publication of the information proposed to be printed in it. In the absence of specific authorization, describe how the proposed periodical is necessary in transacting public business which the agency is required by law to undertake.

(2) Statement justifying the number of copies proposed for (a) official use, and (b) free distribution. Particular information should be given to indicate (a) the specific part of the public in need of free distribution, and (b) why distribution should be free instead of by sale or subscription.

8. Extension and amendments of approval. If a change becomes necessary at any time before the expiration of an approval, the change may be requested either as an extension or an amendment of the existing approval.

a. Extension. Extension of approval beyond its expiration date will be requested by letter containing the information described in paragraph 7, as pertinent, together with appropriate justification, especially for any change proposed. The request should also include a copy of the latest issue of the periodical and a description of actions taken as a result of the last review of the mailing list, as required by regulations of the Joint Committee on Printing.

b. Amendments to increase number of copies. Amendment to an approval is required when more than a one-time departure annually from established limitations on the number of copies per issue is proposed if any proposed departure is more than one-fifth of the limitation.

9. Notice of Approval. The agency concerned will be notified by letter of each approval.

10. Certificate of necessity. The head of the agency will certify to the necessity of each periodical, in the following form to appear in each issue of the periodical which has been approved under this Circular:

The (Secretary) (Administrator) of ________________ has determined that the publication of this periodical is necessary in the transaction of the public business required by law of this (Department) (Agency) ___________________. Use of funds for printing this periodical has been approved by the Director of the Office of Management and Budget through (expiration date).

11. Expiration of approval. Each approval expires on the date specified in the letter of approval. No approval will extend more than five years. Requests for approval for continuing a publication should be submitted not less than 30 days prior to the expiration date.

GEORGE P. SHULTZ
DIRECTOR

LETTER FROM CHARLES DURYEA SMITH, ATTORNEY ADVISER, U.S. INSTITUTE OF PEACE

February 27, 1987

Mr. Jeffrey H. Ashford
Budget Examiner
Office of Management and Budget
Room 8236 - NEOB
Washington, D.C. 20503

Dear Jeff:

This is in response to your letter to me dated February 18, 1987, informing us that you have reviewed the draft of the Institute's request to Congress for appropriations of $10,000,000 for Fiscal Year 1988 which I sent you on February 17. We appreciate your prompt response. Should you have comments on our budget request, we would be happy to convey them to Congress.

Before addressing the substance of your letter, on behalf of the Institute's President, Robert F. Turner, and myself, I want to express our gratitude for the assistance and courtesies you and John Eisenhour have extended to us as we have carried out our responsibilities for establishing the United States Institute of Peace. Please extend our appreciation to John.

Last summer, the Institute and OMB reached certain understandings based upon letters we exchanged on the question of the Institute's independence and discussions. The principal letters were two: one from you to Bob Turner dated May 15, 1986, and his response dated July 10, 1986. In addition, the four of us had a number of discussions on the issue of the Institute's independent status. We concluded our exchanges with the understanding that: (1) The Institute would proceed independently from OMB and would present its funding requests to Congress without OMB clearance, based on the Institute's conclusion that Congress intended us to be independent and outside of the Executive branch. (2) The Institute would share with OMB any funding requests it sends to Congress so that OMB might review and comment should it so wish and would consider any such comments on their own merits. (3) OMB reserved the right to revisit the question at some point in the future.

We continue to believe that it was the intent of Congress, when it enacted Title XVII of the Defense Authorization Act of 1984, Pub. L. 98-525, first, that the Institute be able to take its funding requests directly to Congress, and second, that OMB not be foreclosed from review and comment on such requests at the time they are submitted to Congress. This seems clear not only from the legislative history, but also from the statutory text. Section 1709(a) of the United States Institute of Peace Act provides: "Nothing in this title may be construed as limiting the authority of the Office of Management and Budget to review and submit comments on the Institute's budget request at the time it is transmitted to the Congress." As both the Act and its legislative history make clear, Congress intended, by this language, to underscore simultaneously that the Institute is independent and outside of the Executive branch of government, that the Institute may go directly to Congress for its funding, that the Institute's funding requests to Congress would be available to OMB for examination, and that Congress would receive OMB views on the Institute's request. Congress clearly did not, in our view, intend to give OMB the type of clearance authority over the Institute's funding that OMB exercises over Executive branch agency budget requests. The basis for this conclusion is presented in Bob's July 10th memorandum.

Despite our desire to be cooperative, as we read the law we simply do not have the legal discretion to surrender the Institute's independence to OMB control. We would not be true to the Institute's legislative charter were we to defer to OMB authority as asserted in your letter. We believe that Congress established the Institute as an independent corporation outside the Executive branch, and that one reason Congress did so was to protect the Institute's academic freedom. Further, we believe that the Institute's independence is protected by its corporate organization and by the insulation from dismissal, except for specific cause or procedure, that Congress provided for the Directors appointed by the President from outside of Federal service. These points and others are set forth in Bob's July 10th memorandum.

We have examined the OMB documents which you included with your letter. They do not alter our understanding of the Institute's statutory authority to proceed directly to Congress with its own funding request. While we deeply respect the President's position and take with the utmost seriousness OMB Director James Miller's observation on the budgetary tightness now facing the country, his memorandum (M-87-20) dated February 13, 1987, is directed to "executive departments and agencies," of which the Institute is not one. OMB Circular A-11, which details instructions on budget submissions, likewise does not appear to apply to the Institute, which is independent and outside of the Executive branch and whose budget submissions do not need prior OMB clearance. OMB Circular A-3, like the February 13th memorandum from Mr. Miller, is addressed to Executive department heads. It is my understanding that you enclosed that Circular because the Institute intends to produce a newsletter. We believe the Institute's statute provides that authority. Rest assured that we will be in contact with the Joint Committee on Printing and will endeavor to comply fully with all applicable laws.

As I am sure you will appreciate, we are obligated by our oaths of office to follow the law governing the establishment of the United States Institute of Peace. Nothing in your letter of February 18 has altered our understanding that the law made the Institute independent of OMB and Executive branch control. Therefore, despite our desire to maintain a cooperative relationship with OMB, John Norton Moore, the Chairman of the Institute's Board of Directors, and Bob Turner, the Institute's President, will request Congress to provide appropriations for the Institute of $10 million in FY 1988. They will meet with the Senate Appropriations Subcommittee on March 3d and the House Appropriations Subcommittee on April 1st and will proceed based on our understanding of the Institute's independence.

In closing, permit me again, Jeff, to extend our deep gratitude to you and John Eisenhour. Bob and I appreciate very much the honesty with which we all have been able to conduct our examination of the Institute's independence, and it is our hope that we will be able to continue the excellent professional relationship we have established. Bob joins me in saying that we look forward to continuing to work with you both as we have in the past, harmoniously, frankly, and respectfully.

Sincerely,

Charles

Charles Duryea Smith
Attorney Adviser

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

BIENNIAL BUDGET CYCLE

Mr. DOMENICI. Calls for budget reform are increasingly heard as budget deadlines are too often missed, important budget decisions are delayed, appropriation bills and other direct spending legislation are held up in committeee, and omnibus spending bills take the place of timely and orderly consideration of individual bills. One procedural reform that is being considered is the two-year budget cycle where budget and appropriation mattters would be considered in the first year, and authorizations and oversight would be undertaken in the second year.

Would your department/agency favor a biennial budget process? What benefits would your agency achieve in a two-year appropriation cycle?

Mr. TURNER. Yes, the United States Institute of Peace would favor a biennial budget process. One benefit could be the reduction in uncertainty over funding due to the lack of Congressionally-approved appropriations. In preventing government shutdown, savings of the taxpayers' money could also be achieved even if it occurred only in the non-budget year.

The biennial cycle would not alter the Institute's annual thorough analysis of budgetary requirements. The biennial cycle would allow the Institute to place greater emphasis on forward planning so that it would have the capability of meeting unanticipated demands.

Mr. DOMENICI. Approximately what proportion of your annual appropriation request would you consider simply repetitious of the previous year's submission?

Mr. TURNER. We are a new institution, now in our first full year of the budget cycle. We do not have sufficient experience to predict with accuracy what portion of our request will be repetitious. At this point it would appear that a significant portion of our budget – well in excess of 50% – will continue to be allocated to such recurring general categories as personnel, fellowships and grants.

Mr. DOMENICI. What difficulties can you foresee in preparing and submitting a two-year budget to Congress?

Mr. TURNER. The biennial process would require greater emphasis on anticipating future needs. As a new organization, in the early years it may be difficult to be as precise in our projections as we would wish. Therefore, some mechanism might need to be developed to handle unplanned contingencies and needs. This could on occasion require an increase in the number of supplemental appropriation requests being submitted to the Congress.

Mr. DOMENICI. If you oppose the biennial budget concept, please give this subcommittee your reasons why?

Mr. TURNER. The Institute does not oppose the biennial budget concept.

FEDERAL MEDIATION AND CONCILIATION SERVICE

STATEMENT OF KAY McMURRAY, DIRECTOR

CHAIRMAN'S REMARKS

Senator CHILES. We would now like to consider the budget request for the Federal Mediation and Conciliation Service, the National Mediation Board, and the Physician Payment Review Commission, and Mr. McMurray of the Federal Mediation and Conciliation Service will proceed first.

Good afternoon, Mr. McMurray. I want to thank you all for your patience and indulgence, and we have had a long afternoon. We still have several panels to come after you. If you can summarize your statement for us, we will put it in full in the record, and it will give us an opportunity to ask you a question or so.

Mr. McMURRAY. Mr. Chairman, I am going to try and help you with your time limit.

Senator CHILES. Good.

Mr. McMURRAY. I do not really have any one program I wish to highlight. You have the complete breakdown of our submission before you, and you said it will be introduced into the record.

I merely would like to say that I am pleased to report to you that in spite of a very trying time in 1986 when we had budget restraints placed on us, as did most other agencies, and when we had to cut back on hiring, travel, and some of our programs, that in spite of all that we are now showing about a 5-percent increase in productivity. We were able to handle 31,000 dispute mediation cases last year; we closed 900 preventive mediation cases, and we issued 33,000 panels of arbitrators. We increased our workload in spite of the curtailment of money. We had a very dedicated and hardworking work force, and I cannot forego the opportunity to go on the public record now and thank those employees for the hard work and the help that they have given over the last year.

You have before you a request for $24,920,000 for 1988, which is a little over $1 million more than 1987, but a large portion of the increase is caused by the increased expense of the new retirement system that has been initiated and by the increased expenses of employee compensation payments, all of which are beyond our control. We have worked out a lean budget and we hope you will give it the consideration, because in order to complete our mission we will need what we have asked for.

PREPARED STATEMENT

Senator CHILES. Thank you, sir. We will inset your statement in the record at this point.

[The statement follows:]

STATEMENT OF KAY MCMURRAY

It is my pleasure to present to you the fiscal year 1988 appropriation request for the Federal Mediation and Conciliation Service. I am particularly pleased to be representing the Service for the fifth consecutive year before your subcommittee. I would like briefly to describe the Service's mission, list some of our recent accomplishments, and outline our fiscal year 1988 request.

FEDERAL MEDIATION AND CONCILIATION SERVICE'S MISSION

FMCS was established by Congress in 1947 as an independent agency to prevent or minimize interruptions of the free flow of commerce growing out of labor disputes, to assist parties to labor disputes in industries affecting commerce to settle such disputes through conciliation and mediation.

In addition, the Service's mission statement calls for the development of sound and stable labor-management collective bargaining relationships, the advocation of collective bargaining, mediation and voluntary arbitration as the preferred process for settling issues between employers and representatives of employees, and the fostering of constructive joint relationships of labor and management leaders to increase their mutual understanding and ability to resolve common problems.

Through the dispute mediation, preventive mediation, and arbitration programs, the legislative mandate and our mission are accomplished.

RECENT ACCOMPLISHMENTS

Fiscal year 1986 was one of the most trying, and yet, fulfilling years we have experienced. Under Gramm-Rudman-Hollings, funds were cut by over $1 million. The funding cutback forced a hiring freeze, severe reductions in critical travel funds, and elimination of many administrative programs and expenses.

Despite these stringent conditions, mediators handled over 31,000 dispute mediation assignments and closed almost 900 preventive mediation cases. In addition, approximately 33,000 panels of arbitrators were isued in response to requests from labor and management.

I am extremely proud of the Service's record for last year. The accomplishments I have just outlined are the direct result of extraordinary cooperation and assistance by all employees of the FMCS.

FISCAL YEAR 1988 APPROPRIATIONS REQUEST

Our detailed budget request has been submitted to each of the subcommittee members, but I would like to take this opportunity to review some of its contents. The Service is requesting a funding level of $24,920,000 with 335 full-time equivalent employment. These levels will allow the Service to replace mediator attrition—something we have not been able to do since 1984. There will be sufficient funding for program-related travel, for much needed services, such as training, and for mandatory increases in rents and communications. For these reasons and those contained in our detailed submission, I urge favorable consideration of our request for fiscal year 1988.

Mr. Chairman, I will be happy to respond to any questions you may have.

LABOR-MANAGEMENT COOPERATION PROJECT

Senator CHILES. Since fiscal year 1981 the Labor-Management Cooperation Program has provided grants to establish and support the joint labor-management committees at the plant level and on a community or areawide basis with any particular industry and for public sector workers. I trust you have found some of those committees to have been successful.

Mr. McMurray. They have all been—it has been a very successful program. It has been going since 1981, and 85 percent of the committees we have established are still functioning using their own money.

Senator Chiles. Last year I understand $1.1 million was provided for this activity, so how many grants were awarded in fiscal year 1987?

Mr. McMurray. 1987?

Senator Chiles. Yes.

Mr. McMurray. 1986?

Senator Chiles. Eighty-six, yes.

Mr. McMurray. Fourteen were issued in 1986.

Senator Chiles. Fourteen. Well, this certainly seems to have been a popular program with Congress, yet in looking at your budget it looks like no funds have been requested for this program in fiscal year 1988. Why not?

Mr. McMurray. That is because the administation feels that while they are helpful, that the funds should be provided by the private sector. And so the program is not in the budget request.

Senator Chiles. How much funding would be required to continue the program at its current level if we assume that there is no largess from the private sector?

Mr. McMurray. $1,170,000 would be needed to continue the program.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator Chiles. Thank you. We will have some other questions that we will submit to you for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

LABOR-MANAGEMENT COOPERATION PROGRAM

Since fiscal year 1981, the Labor-Management Cooperation Program has provided grants to establish or support joint labor-management committees at the plant level, on a community or area-wide basis, within a particular industry and for public sector workers.

Question. Would you please describe for us some examples of these joint labor-managment committees?

Answer. A few examples of these joint labor-management committees are: (1) an area committee in Philadelphia to promote economic development; (2) a grant in Pompano Beach, Florida to encourage a joint Employee Stock Option Plan (ESOP); (3) a public sector committee to work on drug/alcohol problems and other issuses in the city of Hartford, Connecticut.

Question. How successful have you found these committees to be?

Answer. These committees have been highly successful in meeting their goals and objectives. About 85% of the grants that have completed their FMCS "seed" funding continue to operate.

Question. Last year, $1.1 million was provided for this activity. How many grants were awarded in fiscal year 1987?

Answer. In fiscal year 1986, 14 grants were awarded. In fiscal year 1987, we expect to award 10 to 12 grants.

Question. I understand that this is a popular program with Congress. Yet, once again, no funds have been requested for this program in fiscal year 1988. Why not?

Answer. The Administration believes that, if this program is as successful as it appears to be, funding should be provided for individual projects by the private sector.

Question. How much funding would be required to continue the program at its current level?

Answer. To maintain the present level, $1,170,000 would be needed.

NATIONAL SEMINAR

Last year, you requested approximately $240,000 for a national seminar to provide training to mediators.

Question. When and where will the seminar be held?

Answer. The seminar will be held March 7-11, 1987, in San Antonio, Texas.

Question. How many mediators will attend?

Answer. All field mediators, unless on sick leave or on emergency negotiations, will attend--approximately 210.

Question. What are the objectives of holding such a seminar?

Answer. The objectives are to update our staff's knowledge of changing developments in the labor relations field as well as provide practical training in new skills to meet those changes.

Question. I understand that a similar seminar was held in fiscal year 1985. Why are you sponsoring another seminar so soon?

Answer. Ideally, these seminars should be held annually to keep up with new developments, policies, and Service needs. In order to conserve limited resources, they are scheduled every two years.

HEALTH CARE COLLECTIVE BARGAINING

The growth in the private health care industry is one with which I am familiar. I understand that the Federal Mediation and Conciliation Service (FMCS) plays a major role in promoting collective bargaining in this area.

Question. What trends do you see in collective bargaining in the health care industry?

Answer. Health care facilities are under continuing pressure to reduce costs as a result of increasing cost consciousness among third-party payers, employer/union groups as well as changes in Medicare Provisions and such new forms of competition as out-patient facilities. Because labor costs constituted 57.2% of total costs in 1983, the industry has concentrated in that area, among others, and by 1985 had reduced labor costs to 55.7% mainly by staff reductions and layoffs.

Unions are increasing their organizing and bargaining efforts both because of the opportunities in the industry created by major restructuring and in response to requests from currently unorganized workers. The industry is currently about 20% organized. New organizing efforts are being more carefully targeted, taking into account institutions and composition of potential bargaining units, resulting in greater election success rates (74%) than is being experienced by unions generally (less than 50%).

Bargaining issues frequently include cost reduction efforts by management in addition to traditional bargaining subjects such as wages. Issues now appearing more frequently at the bargaining table include patient ratios, medical staff responsibilities, comparable worth, technological displacement and re-training, lay-offs, staff reductions, and productivity. Both in labor-management relations and intra-staff disputes, a growing concern for quality of patient care is both an issue in itself as well as a vehicle for other issues such as working conditions.

The continuing cost reduction efforts by health care management are directly affecting staffing levels, especially patient-staff ratios. Managements are seeking increased flexibility in scheduling and are hiring more part-time workers. Unions are demanding strong, enforceable staffing language. Both sides argue concern for patient care in this area.

Health care benefits, the largest single benefit cost in health care compensation, is paradoxically a frequent bargaining issue. Management benefit reduction efforts are countered with union efforts to maintain benefit levels. In some areas, the parties have discovered means of cost reduction while not affecting benefit levels. Another trend is that the unions are complaining about the current Medicare cost system as placing adverse pressure on quality care and staffing levels.

The unions are concerned about increased corporate takeovers and growth of "for-profit" facilities as strengthening the trend to staff at lower levels.

There is increased use of labor-management cooperation provided in contracts. The participative programs are usually structured around a current issue, e.g. child care, worker-family issues, staffing, quality patient care, etc. In registered nurses' units, the focus of cooperative efforts is on professional issues: continuing education needs, staffing, etc.

There is an increasing trend toward coordinated bargaining with coordination within unions and among different unions dealing with the same employer. The outlook is for more extensive and coordinated union organizing campaigns. As the health care industry consolidates, there will be still more opportunities for more organizing and expanded bargaining.

Question. Can you estimate how much of your resources (workload and manpower) are devoted to promoting collective bargaining in this industry?

Answer. In 1986, 9% of dispute mediation cases were in the health care area. We do not keep detailed records on costs associated with these cases, but we assume that the costs for these cases are similar to those for other dispute mediation cases.

MEDIATION HIRING

On page 40 of your justifications, you indicate that the Federal Mediation and Conciliation Service (FMCS) is establishing a new hiring system.

Question. Would you describe for us what the new system is, and how it differs from the old system?

Answer. The new system hires mediators on a geographic basis rather than nationwide basis.

Question. How will this new system improve the efficiency and effectiveness of the FMCS?

Answer. Once the system is fully in place, mediators may be hired more quickly to replace attrition. We will also reduce the number of forced transfers which will improve morale and reduce hardships sometimes experienced by mediators and their families in involuntary transfers. The revised system may also reduce future operating costs. We need experience, however, to confirm that such cost reductions do, in fact, result.

Question. Approximately how many mediators will be hired in fiscal year 1987? In fiscal year 1988?

Answer. In both 1987 and 1988, the Service intends to hire 12-18 mediators, depending on attrition.

WORKLOAD PROJECTIONS AND ADDITIONAL PERSONNEL REQUESTS

Your workload projections for mediation and arbitration services in fiscal year 1988 indicate no increase in activity over fiscal year 1987. Yet, you are requesting an increase of 6 full-time equivalent (FTE) positions for mediators.

Question. Why are you requesting the additional mediator positions?

Answer. The six additional full-time equivalents in 1988 represent full-year fiqures--annualization--of the 12 mediators to be hired in 1987. Our plan is to have 222 mediator positions in both 1987 and 1988, and while we may have this number of mediators, the full-time equivalent figure will differ between the two years.

AUTOMATED DATA PROCESSING INCREASE

On page four of your budget justification, you indicate an increase of $200,000 for automated data processing funds for a new operating system.

Question. What is your current expenditure for data processing systems?

Answer. In fiscal year 1987, automated data processing is budgeted for $453,000 plus personnel costs.

Question. It appears that you are seeking a large increase in funds for data processing requirements. What are the features of the new operating system? What functions are you automating?

Answer. After careful study of options, we are seeking funds to replace an operating system which IBM has formally announced they intend to discontinue. We chose the current operating system in 1983 because it met all agency requirements and was in the "public domain" (no IBM rental charges). FMCS has saved more than $1,000,000 in direct and related costs by using this operating system. However, it is unwise to continue functioning indefinitely with the current operating system being phased out by IBM and for which they will no longer provide support, systems updates, or maintenance services.

Question. What is the time frame for designing, implementing, and operating the new system?

Answer. We expect to begin renting the new operating system from IBM sometime in 1988. We will try to keep the current system, which saves money each month it operates, as long in 1988 as is reasonable.

Question. Do you foresee increased spending for this new operating system in future years?

Answer. IBM historically increases its software rental prices each year and we expect this trend to accelerate. However, the largest cost is the one-time conversion in 1988. We expect ADP costs to drop below the 1987 levels beginning in 1989, even with the new operating system.

REORGANIZATION OF REGIONAL MANAGEMENT STRUCTURE

In September, 1986, you informed the Committee of the reorganization of the regional and district offices. Specifically, the regional offices were reduced from four to two, and the district offices were reduced from twelve to ten.

Question. How has the reorganization affected the operation of the Federal Mediation and Conciliation Service?

Answer. We are pleased with the reorganization of the regional management structure. The operation of FMCS has suffered no perceptible loss in effectiveness as a result of the reorganization, and efficiency has improved.

Question. Have travel and per diem expenses for mediators increased as a result of the elimination of these offices?

Answer. Travel costs have dropped, as a result of the reorganization. Mediators do not usually travel to district offices, rather the district directors travel to the mediators' field stations. While there may now be greater distances between district offices and field stations, better scheduling of trips and fewer trips by managers (fewer managers) has produced a net savings.

Question. Has the decrease in administrative costs, related to the elimination of these offices, more than offset any increases in mediation expenses?

Answer. Yes, there has been an overall savings as a result of the reorganization.

PREVENTIVE MEDIATION

Mr. McMurray, your budget justification estimates that the Service will handle 900 preventive mediation assignments in fiscal year 1987 and 1988.

Question. What does mediation accomplish in these cases?

Answer. In a general sense, the objective of a preventive mediation effort is to help labor and management find ways through which they can resolve disagreements by peaceful means before contract negotiations begin. We concentrate our efforts on those organizations in which both labor and management seem sincerely interested in moving in that direction, but need the help of a neutral party to fiqure out how to achieve this movement.

There is compelling evidence that our preventive mediation work produces the desired results in most cases. For example, we recently (in the current fiscal year) conducted a survey of organizations in which mediators worked with labor and management to establish in-plant Labor-Management Committees during the years 1980 through 1984. Our purpose was to learn more about how the parties viewed the effectiveness of this preventive mediation work after the lapse of several years. Here are a few highlights from the survey results:

- 75% of the Labor-Management Committees established in this four-year period are still operating.
- 75% of the originally established committees are still meeting their original objectives.
- 84% of the survey respondents reported that improved labor-management relationships resulted from the Labor-Management Committee.
- 91% of labor respondents and 90% of management respondents reported positive attitudes toward the committee process.
- 86% of labor respondents and 73% of management respondents reported positive changes in their bargaining relationships.

Overall, the survey results strongly reinforce our convictions about the value of preventive mediation.

Question. Have any changes occurred in collective bargaining to influence the settlement of these cases?

Answer. Although our preventive mediation work is not a surefire guarantee against a work stoppage in collective bargaining, our experience convinces us that the probablity of resolving bargaining table differences peaceably is substantially enhanced by preventive mediation.

Question. How much is included in your budget request for preventive mediation?

Answer. The cost of preventive mediation is grouped with dispute mediation and public information and educational activities. However, in 1986, 11% of travel funds were spent on preventive mediation cases. We expect spending in this area to remain at this level or increase moderately over the next two years.

DISPUTE MEDIATION

The majority of the Federal Mediation and Conciliation Service's workload and staffing is focused on dispute mediation.

Question. In what industries will contracts be expiring in fiscal year 1988?

Answer. In fiscal year 1988 there will be major contracts expiring in the construction, electric utilities, food, advertising and motion picture, transportation and trucking, rubber, and garment and apparel industries.

Question. What are the major concerns of the unions in negotiating these contracts?

Answer. The dominant concerns of unions in their contract negotiations fall in these areas:

- Employment security for union-represented workers. This is probably the number one concern in the majority of dispute cases we handle.
- Management threats, implicit or explicit, to close organized plants and move operations to non-union domestic sites or to foreign countries.
- Loss of real income for union workers as a result of pay rate freezes, substitution of one-time bonus payments instead of wage rate increases, etc.
- Tendencies of some managements to try to shift the costs of health care benefits to workers.

Question. Have you seen any changes, given the reductions in the basic industries in the past few years?

Answer. There have been significant changes. For example in the steel industry, the United Steel Workers of America (USWA) has agreed to substantial pay and benefit reductions in order to give some of the more endangered companies a better chance of survival, and thus attempt to stem the severe losses of employment in the industry. This, however, has created a new and difficult bargaining problem in the case of USX, where the company was viewed as financially strong. The union did not feel that wage and benefit reductions or "freezes" were justified, whereas management argued that it was essential that their labor costs be comparable to those of their domestic competitors.

In automobile manufacturing, the need to improve quality and productivity in order to be competitive and thus avoid further loss of employment has produced some very innovative labor agreements, especially at Ford and General Motors. Perhaps the most remarkable example is at New United Motors Manufacturing Inc. in Fremont, California (a joint venture of General Motors and Toyota). There the company and the United Auto Workers have established a unique work place in which traditional labor and management distinctions are largely abandoned in favor of a highly participative environment which exists at all levels. Productivity and quality are at record high levels, worker absenteeism has been greatly reduced, and grievances are almost non-existent.

Question. How much is included in your budget for dispute mediation?

Answer. On page 6 of our budget justification we show that $20,066,000 of the $24,920,000 requested will be devoted to dispute mediation, preventive mediation, and public information and educational activities in 1988. A breakout of only dispute mediation costs has not been developed, but the majority of the $20,066,000 fiqure is for dispute mediation.

Questions Submitted by Senator Pete V. Domenici

BIENNIAL BUDGET CYCLE

Calls for budget reform are increasingly heard as budget deadlines are too often missed, important budget decisions are delayed, appropriation bills and other direct spending legislation are held up in committee, and omnibus spending bills take the place of timely and orderly consideration of individual bills. One procedural reform that is being considered is the two-year budget cycle where budget and appropriations matters would be considered in the first year, and authorizations and oversight would be undertaken in the second year.

Senator Domenici: Would your department/agency favor a biennial budget process? What benefits would your agency achieve in a two-year appropriation cycle?

Answer. The Administration is now studying the option of a biennial budget process, and while the Federal Mediation and Conciliation Service has not completed a thorough review of the process, we believe it could be helpful. It appears that a biennial budget would provide more stability. Agencies would know funding levels for two years and could make longer term financial decisions based on two-year projections, rather than one.

Senator Domenici: Approximately what proportion of your annual appropriation request would you consider simply repetitious of the previous year's submission?

Answer. Much of our annual appropriation request is repetitious. New program initiatives are, of course, highlighted and staffing and funding requests are changed, but much of the narrative is unchanged from one year until the next.

Senator Domenici: What difficulties can you foresee in preparing and submitting a two-year budget to the Congress?

Answer. Changes in pay or benefits to federal employees that are not included in a biennial budget would have to be addressed through supplemental appropriations requests, as would significant changes in program activities.

Senator Domenici: If you oppose the biennial budget concept, please give this subcommittee your reasons why.

Answer. We have no objection to consideration of the biennial budget concept but, as we have said, the subject needs more study.

NATIONAL MEDIATION BOARD

STATEMENT OF CHARLES L. WOODS, CHAIRMAN

ACCOMPANIED BY:
HELEN WITT, MEMBER
WALTER WALLACE, MEMBER

INTRODUCTION OF ASSOCIATES

Senator CHILES. Now we will go to the Mediation Board presented by Chairman Walter C. Wallace——

Mr. WALLACE. No; Mr. Woods.

Senator CHILES. All right, excuse me, Mr. Woods. I welcome you to the committee, and Mr. Wallace, too.

Mr. WOODS. We really do not play musical chairs with the chairmanship of the National Mediation Board, but we are a three-person Board, and if I may I would like to introduce my colleagues. On my right is Helen Witt. She has been with the Board for about 3 or 4 years. And Mr. Walter Wallace on my left. He has been with the Board some 5 years and past chairman on a couple of occasions. I am a junior member, and this is my first experience.

I will briefly summarize the statement that we have submitted for the record in the interest of saving time.

The National Mediation Board is requesting an appropriation of $4,873,000 for fiscal year 1988, and that is $1,632,000 less than is available for 1987. The primary functions of the Board under the Railway Labor Act include the mediation in connection with collective bargaining and representation matters concerning employees in the railroad industry and airline industry. For this we are requesting $3,691,000. That is an increase of $422,000 over fiscal year 1987.

The second function of the Board relates to the arbitration and investigation of critical disputes to the emergency Board's procedures. For this we are asking $584,000. That is $25,000 more than was available in 1987. Another function is the adjustment of employee grievances in the railroad industry. For this we are requesting that $598,000 be appropriated for fiscal year 1988. Beginning in 1988, the Government proposes to continue to pay the administrative expenses of this process, but to stop funding salaries and expenses of the neutral referees at a saving of $2,184,000 compared to fiscal year 1987.

Beginning in fiscal year 1988, these expenses would be borne by the labor and management parties to the grievance disputes just as they already are in the airline industry; also under the Railway Labor Act, as well as every other industry.

Senator CHILES. Is that not a legislative change you are talking about?

Mr. WOODS. No; we feel that since it is a fiscal matter that the budget process could be used to deal with this matter and also it would be before Congress to deal with under one set of issues.

Senator CHILES. Around here we are told we are not supposed to legislate on an appropriations bill. Congress does that sometimes, and we get criticized for it. Normally we don't find the administration attempting to legislate on an appropriations bill. Have your lawyers told you you can do this, you can legislate this way? Are you talking about setting up a change in the law? This would amend the Railway Act of 1934, would it not?

Mr. WOODS. This has been in the act some 50 years or better. Of course initially it was successful and the Board settled the majority of grievances there. Our general counsel has reviewed the appropriation language and should it be enacted into law, it would be sufficient to effect the change we are proposing.

Senator CHILES. Well, you know, I do not want to rule on the merits of it. There may be some merit to it. You are saying just because somebody else does it on airlines or somebody else does it here you are going to put it in your budget request. I just do not know how you expect to legislate that change in the budget request. You are going to amend the Railway Labor Act of 1934 in your budget submission. Usually we go through the Congress and let them do that, you know.

Mr. WOODS. Congress will have the opportunity to deal with the budget submitted to them and hopefully act upon it before it becomes effective October 1.

Senator CHILES. Let me say that if you expect it to happen just because you put it in your budget request, do not hold your breath. If you send up a change in the law and submit a bill then maybe something will happen. Maybe it will be heard on its merits. You find some Members around here that want to legislate on an appropriations bill but they do not usually want to carry somebody else's legislation.

PREPARED STATEMENT AND QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

We have some other questions we would like to submit to you for the record, and we appreciate your testimony.

[The information follows:]

STATEMENT OF CHARLES L. WOODS

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE. Thank you for this opportunity to appear before your Subcommittee today regarding the National Mediation Board's budget for Fiscal Year 1988.

The total amount requested for Fiscal Year 1988 to administer the Railway Labor Act is for $4,873,000, and a personnel complement of 58 positions.

The appropriation for the National Mediation Board is requested for expenses necessary to administer the provisions of the Railway Labor Act, as amended. This statute was designed to provide orderly procedures for the settlement of labor disputes in the railroad and airline industries as well as questions of employee representation and to interpret agreements made in mediation.

When the Railway Labor Act was amended in 1934 it established the National Railroad Adjustment Board for the purpose of handling grievances arising under the terms of collective bargaining agreements in the railroad industry.

On June 20, 1966, the President signed Public Law 89-456, which further amended certain provisions of Section 153 of the Act. Under the Public Law, new grievances and those which have been on docket before the National Railroad Adjustment Board for a period of at least one year may be referred to a local board of adjustment. The purpose of this amendment was to reduce an overwhelming caseload of unresolved disputes pending before the National Railroad Adjustment Board.

The budget justification, as submitted, identifies the functions just discussed and the amounts requested for each. I would like to go over each one briefly.

Mediatory Services

For mediatory services for Fiscal Year 1988 we are requesting $3,691,000, an increase of $422,000 over Fiscal Year 1987. These services include mediation relating to the making and amending of collective bargaining agreements, procedures relating to the selection by employees of their bargaining representatives, and a number of administrative duties consistent with statutory authority under the Act and related statutes governing railroad and airline labor disputes procedures.

Voluntary Arbitration and Emergency Disputes

The second activity of the Mediation Board relates to voluntary arbitration and the investigation of critical disputes through emergency board procedures. In these arbitration proceedings, disputes over contract formation are voluntarily submitted by labor and management to a neutral party for final and binding decision.

Emergency boards are created by the President pursuant to Section 160 of the Act. When the Mediation Board finds that a dispute not resolved in mediation threatens substantially to interrupt interstate commerce and deprive any section of the country of essential transportation, it notifies the President who may create an emergency board to investigate and make recommendations as to the settlement of the dispute.

The Northeast Rail Service Act of 1981 amended the Railway Labor Act by adding a special emergency dispute procedure for publicly funded and operated commuter carriers and their employees. Under this procedure, the President would be required, upon request of any party to a labor dispute, including the Governor of the State, to establish possibly two successive emergency boards. A public hearing is held by the National Mediation Board, to review the Emergency Board's findings to help in resolving the issues in dispute.

The Mediation Board is requesting $584,000 for these activities, an increase of $25,000 over Fiscal Year 1987. As in the past we will continue to hold this amount in a special category and use it only for voluntary arbitration and emergency disputes. Any amount not needed for this purpose will remain unspent and lapsed at the end of the year.

Adjustment of Railroad Grievances

When the Railway Labor Act was amended in 1934, the National Railroad Adjustment Board was created to hear and decide disputes involving railroad employee grievances and questions concerning the application and interpretation of work rules. Administrative responsibility and fiscal management of the Adjustment Board were placed with the National Mediation Board. As indicated earlier in my statement the Mediation Board administers Public Law 89-456, which amended certain provisions of Section 153 of the Railway Labor Act.

For the past 50 years the railroad industry has been the only private industry for which the Federal Government has financed the adjustment of employee grievances. During this period, approximately $51 million of Federal funds have been spent administering the system and paying the arbitrators. Over 200,000 employee disputes have been decided, providing the parties a substantial body of precedents to rely upon.

In view of the Federal deficit, the Administration reviewed many subsidy arrangements. In the case of this program, the Administration concluded that the continued full funding of rail grievance adjudication is not fiscally justifiable in an environment of limited budgetary resources. The Administration has determined that the Federal subsidy acts to discourage the parties from settling the many small cases that in other industries would not ordinarily be referred to a neutral for resolution. The amount of money in dispute in many cases is substantially smaller than the arbitration expenses borne by the American taxpayer.

Beginning in Fiscal Year 1988 the government proposes to continue to pay the administrative expenses of the process at a cost of $598,000, but to stop funding salaries and expenses of the arbitrators. Beginning in Fiscal Year 1988 these expenses would be borne by the labor and management parties to the grievance disputes, just as they already are in the airline industry, also under the Railway Labor Act, as well as every other private industry in the United States.

It is hoped that rail labor and management will continue the process of examining grievance handling in the railroad industry, which they have already initiated, and develop more streamlined and responsive approaches to better serve the 350,000 persons presently employed in the industry.

This completes my statement. If you have any questions, we will be happy to answer them.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

ZERO REQUEST - RAILROAD GRIEVANCES - REFEREE COSTS

Question: Last year, $2,189,000 was appropriated for this function. What would the funding requirement be in fiscal year 1988?

Answer: $2,184,000.

RAIL LABOR AND MANAGEMENT BIPARTISAN COMMITTEE

Question: On page 31 of your justification, you state that a rail labor and management bipartisan committee has been established to review the entire grievance handling process. Has the committee met?

Answer: The committee met in December of 1986 and again in February of 1987. The next meeting is scheduled for April.

Question: Has the committee made recommendations to the National Mediation Board? How will the recommendations be implemented?

Answer: No, the committee has not yet made any recommendations, although a subcommittee has reported back to the main committee on innovative arbitration approaches being tried on the various rail properties. The members of the committee have requested extensive statistical information from the Mediation Board and these requests have been substantially met. Further data are being compiled for the April meeting. We believe the committee is still in a factfinding mode but that they recognize that problems exist in the system and these problems must be confronted.

Question: How will the National Mediation Board monitor the committee's activities?

Answer: The National Mediation Board has served in the role of a facilitator thus far. We have upon request of the committee members prepared the agenda, contacted the members regarding upcoming meetings, provided statistical information to the members, and made the agency staff available to answer questions and handle inquiries. In the future we will continue to assist the committee in these ways. Future plans include helping the members locate outside experts to brief the committee on matters of interest and establishing subcommittees to examine specific areas.

CHANGES IN THE AIRLINE INDUSTRY

Question: During the past year, the airline industry has experienced merger fever as a result, I suspect, of deregulation. How has this move towards consolidation in airline industry affected the workload of the National Mediation Board?

Answer: The recent proliferation of airline merger activity resulted in the Board's conducting some of its largest representation elections in its history during FY 1986 and FY 1987. For example, on Northwest Airlines, which merged with Republic Airlines, the Board conducted an election involving nearly 15,000 clerks, reservationists and fleet service employees, the largest airline election ever conducted. None of the three unions on the ballot in that election achieved a majority and a run-off election between the top two vote-getters is now in progress. Another election on Northwest involved over 6,400 flight attendants. Representation petitions were also filed on Trans World Airlines following its acquisition of Ozark Air Lines. Elections of this size require the utilization of considerable personnel and the commitment of substantial worktime.

The mediation function of the Board is also activated as a result of mergers as the parties both pre and post merger seek to combine labor agreements and work forces into a single transportation system.

Question: Have all these mergers affected union representation activities? Have the union representation cases become more complex to resolve? In what ways?

Answer: Yes, union representation cases are more complex in the merger environment. Because the patterns of organizing on two carriers can be quite different, after a merger occurs, the Board must determine the appropriate crafts or classes which exist post-merger. Frequently, a public hearing must be held in order to construct a suitable record upon which these critical determinations can be made.

MEDIATION CASELOAD

Question: The budget justification indicate a slight decrease in pending mediation cases from fiscal year 1987 to 1988. Yet, you state that both 1987 and 1988 are potentially "heavy" years for collective bargaining in the airline and railroad industries. Do you feel confident that you have an adequate number of mediators?

Answer: Yes. We believe our present contingent of mediators can meet projected needs.

Question: Do you think your workload projections have been adequately forecasted?

Answer: Regretably, there is no accurate way for us to forecast our workload. As you are aware, we have no effective control over the number or source of the cases received in any given year. When making our estimates for incoming cases, we rely on two principal tools — the collective bargaining calendar and past experience. We also have great difficulty in estimating with precision the number of cases resolved in any given year. When we enter a bargaining situation we have no way of forseeing how long it will take to effectuate a settlement.

CHANGES IN THE RAILROAD INDUSTRY

Question: During the past year, the railroad industry completed the current round of national railroad bargaining. Were there any significant changes made in work rules for the railroad industry?

Answer: This round of national bargaining in the railroad industry saw historic changes being made in industry work rules. Recommendations made by the Presidential Railroad Commission 25 years ago were implemented in the contracts covering operating employees. Key features of the new agreements include the eventual elimination of 8,000 firemen jobs through attrition; raising the number of miles in the basic work day from 100 to 108 over the term of the four year agreement; and eliminating certain special arbitrary allowances.

Question: Have these changes affected the work of the National Mediation Board?

Answer: No, we have perceived no change in our work due to these contract changes.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

BIENNIAL BUDGET CYCLE

Question: Calls for budget reform are increasingly heard as budget deadlines are too often missed, important budget decisions are delayed, appropriation bills and other direct spending legislation are held up in committee, and omnibus spending bills take the place of timely and orderly consideration of individual bills. One procedural reform that is being considered is the two-year budget cycle where budget and appropriation matters would be considered in the first year, and authorizations and oversight would be undertaken in the second year. Would your department/-agency favor a biennial budget process? What benefits would your agency achieve in a two-year appropriation cycle?

Answer: We understand that the Administration is studying the subject of multi-year budgeting and whether to propose biennial budgeting for appropriations, for accounts other than those in the national defense area. Biennial budgeting would appear to have substantial advantages for a number of agencies. With respect to our own agency, we have no real problem with the approach.

Question: Approximately what proportion of your annual appropriation request would you consider simply repetitious of the previous year's submission?

Answer: Basically, the Board's appropriation request is a repeat of the previous year's submission, with minor adjustments to reflect increased costs in salaries and expenses.

Question: What difficulties can you foresee in preparing and submitting a two-year budget to the Congress?

Answer: We don't foresee any difficulties. However, requests for supplementals may increase and replace the submission.

Question: If you oppose the biennial budget concept, please give this subcommittee your reasons why.

Answer: As an agency, we do not oppose the concept of a biennial budget process.

PHYSICIAN PAYMENT REVIEW COMMISSION

STATEMENT OF PHILIP R. LEE, M.D., CHAIRMAN

ACCOMPANIED BY PAUL GINSBURG, EXECUTIVE DIRECTOR

INTRODUCTION OF ASSOCIATES

Senator CHILES. Our next witness this afternoon is Dr. Philip Lee, Chairman of the Physician Payment Review Commission. The Commission was funded for the first time in last year's appropriation bill. The Commission's role is to advise the Congress on adjustments to changed levels on physician service and a methodology for determining payment to physicians.

We will be considering your fiscal year 1988 request of $3,210,000 which is an increase of $2,210,000 over the 1987 appropriation. We again ask if you will brief your statement for us.

Dr. LEE. Thank you. Next to me is Dr. Paul Ginsburg, who is Executive Director of the Physician Payment Review Commission. We have submitted for the committee's consideration the detailed justification of the appropriations, both a request for a supplemental of $362,000, for fiscal year 1987 of which we would appreciate your consideration, and the request for an appropriation of $3,210,000 for fiscal year 1988.

The Commission was created by Congress in the Comprehensive Budget Reconciliation Act of 1985 to provide advice on reforming the methods used to pay physicians for services to Medicare beneficiaries. The Commission consists of 13 members, and the legislation authorizes a staff of not more than 25 to assist in its work.

The Commission has defined four functions that it believes it can perform for Congress. The first is to provide independent expert advice. The second is to provide the opportunity for beneficiaries, physicans, and other interested parties to have their views considered in policy deliberations on physician payment. The third is to conduct objective analyses with respect to policy alternatives. And the fourth is to perform what we have called design work necessary to implement major changes in physician payment. An example of such work is the use of consensus panels to consider such issues as coding and inherent reasonableness. We believe that such an approach can produce timely recommendations for Congress in perhaps a less cumbersome fashion than the legislation currently requires of the Health Care Financing Administration.

The Commission is mandated to make recommendations to Congress by March 1 of each year on methods of adjusting reasonable charge levels, setting rates, and making payments for physicians under Medicare. We have submitted today our first annual report to Congress, in which the Commission has endorsed the concept of a fee schedule and has made recommendations related to geographic variation in payments, inherent reasonableness, program administration—an area of underappreciated importance—coding data, physician participation and assignment, the Medicare economic index, and assistance at surgery. All issues and recommendations are detailed in the report we have submitted.

The Commission's policy recommendations represent the first step in the process of reform. Each issue is also the subject of a work plan that defines the efforts required in the coming year to provide the basis for further recommendations and change. The supplemental funds for 1987 are required for two reasons. When I was originally asked to make estimates, there was no staff and no appropriation; I did the best I could to determine costs and what we could accomplish. We were able to recruit staff much more quickly than we expected. Dr. Ginsburg has done a superb job, and as a result we are much further along than we thought we would be. I think we can accomplish a good deal more with that modest supplement.

The supplemental funds and the additional appropriation for fiscal year 1988 would provide for additional Commission meetings, hiring additional staff, purchasing computer time and programming support for analytic work, and underwriting the costs of the consensus panels mentioned.

PREPARED STATEMENT

The materials we have provided for the committee go into the details, and I will not repeat them. I just want to say we appreciate the opportunity to testify on behalf of appropriations for the Physician Payment Review Commission. We would be pleased to answer any questions about the report or the appropriations.

[The statement follows:]

STATEMENT OF PHILIP R. LEE

Mr. Chairman, it is with great pleasure that I come before this Committee to discuss the progress of the Physician Payment Review Commission (PPRC) and its plans for the future. This morning, as the lead witness at the Committee on Ways and Means hearing on physician payment under Medicare, I discussed the Commission's first annual report to Congress, which was released today. In only four months, with a small newly hired staff and the complications of several poorly-timed snowstorms, the Commission has developed a series of recommendations and analyses that I believe will be very helpful to the Congress in its attempts to slow the growth in spending for Part B of Medicare without sacrificing access to care or financial protection of beneficiaries.

PHYSICIAN PAYMENT REVIEW COMMISSION

In P.L. 99-272 (COBRA), Congress created the Physician Payment Review Commission to provide advice on reforming the methods used to pay physicians for services to Medicare beneficiaries. The Commission, which is appointed by the Director of the Office of Technology Assessment, is comprised of thirteen members who represent a broad range of experience and perspectives on issues concerning physician payment.

The legislation authorizes the Commission to hire an Executive Director and a staff of not more than 25 to assist it. The PPRC has adopted policies to permit substantial public participation in its work, especially from organizations representing Medicare beneficiaries and the physicians who treat them.

The Commission plays four roles. First, it serves as a source of independent expert advice to Congress and to the Secretary of Health and Human Services. Second, PPRC provides opportunities for beneficiaries, physicians, and other interested parties to have their views considered in policy deliberations on physician payment issues. Third, the Commission conducts objective analyses to provide a basis for policy decisions to alter Medicare's method of paying physicians. Fourth, it performs design work necessary to implement major changes in physician payment.

The PPRC is mandated to make recommendations to the Congress by March 1 of each year regarding methods of adjusting reasonable charge levels, setting rates, and making payment for physicians' services under Medicare. Although the Commission was not able to begin work until mid-October 1986 when funding became available, it worked at a feverish pace and was able to meet its statutory report deadline with a document that I believe will be extremely helpful to the Congress. The Commissioners traveled to Washington monthly for four two-day meetings; the staff worked many evenings and weekends, and many individuals and organizations, both public and private, provided valuable advice and comment.

FIRST ANNUAL REPORT TO CONGRESS

In its report to Congress, the Commission charted a course to follow for the long term and recommended immediate improvements in the current payment system that are consistent with long-term objectives. The Commission has begun to consider a broad range of policy alternatives, but its initial report focuses on reforms in fee-for-service.

The Commission endorsed the concept of a fee schedule for Medicare. Under such an arrangement, the pattern of payments for services would differ from that under the current system by type of procedure, practice setting, geographic location, and perhaps by specialty. Adoption of a fee schedule requires major decisions on design, which the Commission plans to take up during the next year.

Because of its serious concerns that geographic variations in payment limit access for beneficiaries and create inequities among physicians, the Commission recommended a special payment increment for primary care services provided in designated underserved areas. This could be financed by a small reduction in the annual update factor for the Medicare Economic Index. The PPRC plans to analyze other approaches to geographic variation in payment over the next year.

The Commission endorsed the concept embodied in recently enacted provisions on "inherent reasonableness" for making interim changes in relative payments to physicians. At the same time, the Commission is concerned that the procedural requirements of the legislation defining inherent reasonableness will limit the extent to which the authorized process can be used to change payment patterns. For that reason, the Commission also will use several approaches to augment the process used by HCFA in making recommendations to Congress.

The Commission considers improvement in program administration to be a key element in the reform of Medicare physician payment. Its recommendations emphasize the importance of adequate funding for administration, flexibility for carriers, standards for carriers, and research on effective carrier activities. The Commission's report also makes recommendations concerning physician assignment, restructuring of the Medicare Economic Index, refinement and standardization of coding, payment for assistance at surgery, and improvement in data for policy analysis and program management.

The Commission's policy recommendations represent first steps in the process of reform. The workplan for the coming year, which focuses on both short-term refinements in the current system and development of a fee schedule, defines the effort required in the coming year to provide the basis for further recommendations for change. The Commission plans to make recommendations and disseminate reports throughout the year, with its mandated annual reports tying together each year's work.

FISCAL YEAR 1987 SUPPLEMENTAL REQUEST

The Commission is requesting additional funds of $0.362 million for the curent fiscal year. Two factors are responsible for this request: the initial budget request underestimated certain expenses and the Commission began work more rapidly than projected.

Underprojections in the initial budget request were due both to changes in the external environment (e.g., a substantial increase in the fringe benefit rate charged to salaries of permanent employees) and from the absence of staff to assist me during the two-week period in July 1986 when I had to prepare the budget request for 1987. The details are included in the budget justification that was forwarded to this Committee at the end of January.

A more important factor was the Commission's rapid startup. The size of the Commission's initial appropriation was a "start-up" budget that was based in part on the experience of the Prospective Payment Assessment Commission (ProPAC) in its initial year. For a number of reasons, PPRC had a faster start than ProPAC, and thus is capable of reaching a higher level of operation during its first year.

First, a four-month period between the appointment of the Commissioners and the beginning of operations permitted a more rapid start-up. The Commission was able to recruit an executive director, who in turn held informal discussions with candidates for the senior staff before the actual beginning of operations. In contrast, ProPAC did not hire an executive director until the middle of its first year of funding.

Second, the March 1 report deadline forced the Commission to speed up initial activities. Third, the Commission benefited significantly from the experience and assistance of ProPAC, especially in the area of operating policies and administrative procedures. As a result of these factors, Fiscal Year 1987 might be viewed not as an initial year of operation, but as something between the first and second years of operation.

The amount requested--$0.362 million--is less than the figure provided for publication in the President's Budget. The difference reflects the reductions in hiring, in the number of commission meetings, and in other areas that we have recently put into effect to plan for the possibility that supplemental funds will not be available.[1]

The funds requested would go towards additional commission meetings, additional staff, more mainframe computer time and computer programming services to support the analytical work of the staff, and the cost of consensus panels that are central to implementing the Commission's workplan.

In the process of developing recommendations for its March 1 report, the Commission identified a number of areas where it had to defer action on additional recommendations until it was better informed by analysis. Geographic variation in payment is an example. Without the development of suitable fee indexes and cost-of-practice multipliers, it is difficult to assess the degree of any problems of systematic underpayment of rural physicians relative to urban physicians.

Other developmental work is needed if the Commission, as charged, is to advise the Secretary of Health and Human Services and the Congress on changes in payment based on the principle of inherent reasonableness. The Commission noted the expense and difficulty of the current approach that HCFA is using, and plans to test an alternative approach making use of consensus panels. The Commission feels that its approach would save time and money by augmenting limited data with informed judgment, and achieve results more readily accepted by physicians and others.

Delays such as those I have described would be unfortunate, and the constraints would bring additional problems. As a result of the Commission's promising start, Congressional staff members have raised the possibility of the Commission advising the Congress on policy changes that are made during the current budget year's budget process. The Commission is willing to be of assistance, but its current budget will limit both the number of topics that it can address and the amount of information that the Commission can muster to support its recommendations.

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[1] The staff of the House Appropriations Committee has advised the Commission that revisions in its budget requests would be in order as additional operating experience was gained.

ESTIMATE FOR FISCAL YEAR 1988

The Commission requests $3.210 million for Fiscal Year 1988. This level of support would permit a careful growth of its staff to 24 by the end of the fiscal year and permit a modest amount of funding for outside grants and contracts for policy analysis and data development. By the middle of FY 1988, the Commission would be working at full capacity. The appropriation request for FY 88 reflects an increase of $1,848,000 over the FY 87 budget (including the requested supplemental).

The types of work planned for 1988 are described throughout the Commission's report to Congress. The major initiatives include:

Fee Schedules. The Commission plans a detailed analysis of issues critical to the design of a fee schedule for Medicare and the impact of alternative design options.

Geographic Variation. Using various Medicare claims files and survey data on physicians' practices, the Commission plans detailed analyses of geographic variation in Medicare payments, costs of practice, and costs of living.

Assignment and Beneficiary Liability. The Commission will analyze the experience with the participating physician program, the general limitations on physician charges enacted as part of OBRA86, and reimbursement changes based on the criterion of inherent reasonableness.

Hospital-based Physicians. The Commission will analyze various proposals to reform the methods used to pay hospital-based physicians such as radiologists, anesthesiologists, and pathologists (RAPs).

Medicare Economic Index. The Commission will analyze alternative methods to rebase the index.

Inherent Reasonableness. In addition to testing the use of consensus panels (described above), the Commission plans to study the potential use of existing relative value scales as a guide to making recommendations for changes in payment.

Other work will include refinement and standardization of procedure coding, analysis of payment delays in claims processing, and analysis of the effectiveness of carriers' benefits management activities.

In summary, the Physician Payment Review Commission has made a rapid and promising start. It looks forward to working with the Congress throughout the year to assist it in navigating the very complex and troublesome course of balancing budgetary objectives with the social goals of the Medicare program. With the resources that we have requested, we can advance the Congress' agenda towards achieving a more effective payment system.

LONG-TERM BENEFITS TO CONGRESS

Senator CHILES. Your appropriation is going up considerably this year. I understand you did not have much to go on when you started, but the bottom line is: What is the Congress going to get for its money?

Dr. LEE. Congress will get advice that could reduce short-term costs and provide substantial guidance with respect to long-term developments. This guidance would address not only cost savings but also the major goals that the Commission set out, especially protecting the rights of the beneficiaries. That means ensuring beneficiaries' ability to afford care and ensuring that whatever changes are made do not adversely affect quality of care.

Cost reductions and other financial considerations are not our sole objectives, but through the consensus panels we can also provide Congress with information on the inherent reasonableness of physicians' charges that can result in substantial cost savings.

Senator CHILES. How long do you think it is going to take before you would be able to justify your existence? Around here sometimes commissions do not last too long if they do not.

Dr. LEE. Within 3 years Congress will have substantial evidence of the benefits of the Commission. The initial report already demonstrates its value. When we testified this morning before the Ways and Means Committee, going into some detail about our recommendations, we felt the reception was very positive. The Ways and Means Committee believes we have accomplished far more than they had expected in providing guidance and that the appropriation for this year has already been justified. We will be, of course, also testifying before the Senate Finance Committee.

Senator CHILES. This morning I spoke with Dr. Roper about the prompt payment of Medicare claims. At the time he said increasing the payment time, average payment time from 16 to 20 days would not have any impact on beneficiaries or providers. Would you agree with that statement?

Dr. LEE. The Commission would certainly not agree with that statement. The Commission was particularly concerned about the impact of delayed payments on beneficiaries and on physicians, particularly participating physicians. We feel that prompt payment can provide an incentive for physicians to become participating physicians. We intend to investigate this aspect of program administration in more detail.

Senator CHILES. We would certainly like a copy of that report. Also, as they changed the prompt pay and we had this pullback last year, and then we saw a tremendous increase in the number of claims, I asked if there was any resulting dropout of physicians taking assignments, and they said no, there was none. Can you give me any information on that?

What I hear from doctors all the time is, why in the world should I take assignments if I cannot get paid? I am going to have to look to the claimants themselves to pay my money. It seems to me that we are working against encouraging doctors to take assignments.

Dr. LEE. The Commission would agree with that completely, Senator Chiles. I will ask Paul Ginsburg if he can give you some additional information. We feel that delays in payments are a barrier to physician participation. The delays hinder physicians' willingness to accept assignment and, of course, to agree to no additional balance billing to the beneficiary.

Senator CHILES. We sense also the multiple effect of the fact that when a beneficiary is not paid they file another claim or the physician sends in another claim. That multiplies the paperwork. There are more chances that those claims then cross, and they get confused and mixed up which causes further delay, and we see a case that will just turn into a Max Sennett comedy, where the claims go around the wheel, and you wonder if the Government made any savings or, if there are any savings to be effected other than the distress that you put the beneficiaries to, and the way that you confuse the doctors and the resultant problems that you give them.

Dr. LEE. Again, we agree with that. When beneficiaries and their families have just had some major illness with major costs, and have had other problems to cope with, and then they have to endure these kinds of delays in payments and are confused, they really feel that they have been through an emotional wringer.

Senator CHILES. We would like to visit with you, Dr. Ginsburg, and find out what information you can give us, and be privy to the studies that you would do along this line. We are tremendously concerned with the havoc that this has raised in the past. As you know, Congress—I started off to legislate that they had to pay all clean claims, the longest time was 22 days. Finally at their insistence and squawling, so to speak, we let that go up for a period of time, and then reduced it. Now they want to make the ceiling the floor, and that is the direction in which they are going. They are going from 16 to 20 days. They have plans to go on up in future years. And it seems to me that is certainly going against the intent of Congress. I know what it does in my State, and any information you have on what it is doing across the country would be helpful.

Dr. LEE. There are other problems with respect to administration that we describe in the report. There are some useful ideas there for you. One of them is that carriers who are inefficient, the outliers if you will, should be removed and replaced with efficient carriers who can meet higher standards of performance.

Senator CHILES. I agree with that. And again, if a carrier cannot really cut it then they ought to do something. At one time we had them split the coverage in Florida because, again, a carrier was not doing the job and that same carrier is probably doing a much better job now as a result of finding out that somebody was going to hold them accountable. You say that you are also including a study of hospital-based physicians. I have recently had a delegation of anesthesiologists talk to me about the proposal which would put them under the hospital administrators in the way that they would receive their payment.

And they expressed great concern at what this does, what they see their professional handling of claims, handling of patients, and said if it is money that you wish to save, there are other ways of doing this, and they talk about the way in which their pay is sort of set now, all of which I did not totally understand, but they said someone must know what kind of dollar savings they expect us to make. We will take the dollar savings, but we would not like to have us placed through the hospital people. We would like to have it done through the other process of ratcheting down of where payments would be made. I trust that is something you will be looking at, but it seems like to me if you can find another way of skinning the cat without totally changing these people as they see their professional relationship with the patient it might make sense.

Dr. LEE. The Commission will hear the administration's proposals on that at its April meeting, and we will certainly be hearing from the anesthesiologists, pathologists, and radiologists. I am sure the Commission will come to some conclusions on the issue at a fairly early date and will certainly be glad to provide you with that information.

Senator CHILES. I would like to see that, and I assume that again the Ways and Means and the Finance Committees are going to want to see that study.

Dr. LEE. Certainly.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. We have some other questions for you, but we will submit those for the record. We thank you for your appearance here today.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

ANALYSIS OF PAYMENT DELAYS IN CLAIMS PROCESSING

MR. CHILES: Dr. Lee, this morning I spoke with Dr. Roper about the prompt payment of Medicare claims. At that time, he said that increasing the payment time from 16 to 20 days would not have any impact on beneficiaries or providers.

-- Would you agree with that statement? Do you think this delay in the payment cycle would affect providers, such as physicians?

MR. CHILES: Dr. Lee, in your written remarks, you state that the Commission is planning to analyze payment delays in claims processing.

-- Would you further elaborate on those plans? How will this analysis contribute to physician reform?

DR. LEE: We would not agree with Dr. Roper's statement. The Commission's most serious concern is with the Administration's Fiscal Year 1988 budget proposal to slow claims payment to a 28 day floor, that is, to pay no claim sooner than 28 days after receipt of the claim. This, of course, would require Congress to repeal last year's prompt payment requirements in the Omnibus Budget Reconciliation Act. Even without repeal, the Administration is proposing a 24 day floor on claims payment in Fiscal Year 1988.

We believe payment delays of these magnitudes are unwarranted and risky and ultimately would have negative effects upon physician participation rates, beneficiary protection and administrative costs. To the 24 or 28 day floor, you must add three to four days for mailing and logging the claim and a like amount for mailing the subsequent payment. This can quickly kick the claim into a new monthly billing cycle for a physician. The generation of new duplicate claims would be expensive as would additional inquiries from physicians and beneficiaries about the status of the claim.

Moreover, if a system failure or other problem produced additional delays in payments, as has happened before, then the situation would deteriorate further causing greater cash flow problems, particularly for solo practitioners, small groups and beneficiaries. Our informal review of private sector health benefit programs indicates that insurers, self-administered employers, PPOs and other similar organizations do do not commonly design payment cycles as slow as those proposed by the Administration.

It is for the current fiscal year that the Administration seeks to slow the average time for claims payment from 16 to 20 days and to reduce the amount of variation from one carrier to another. It has indicated that while slower carriers may be faced with greater pressure to speed payments, better-than-average carriers may have their budgets reduced.

Fortunately, if the Administration does persist with its plans for such a slowdown in this fiscal year, the negative impact on physicians and beneficiaries should be more limited, in some respects, than either the proposed payment floors for FY 88 and beyond or the delays that it initiated last year. The most important reason is that Congress has required--for this fiscal year--that 95 percent of clean claims must be paid within 30 days and that interest must be paid the provider or beneficiary for any clean claim paid after 30 days.

Nevertheless, the Commission is concerned about HCFA's continuing use backlogs, average payment standards and budget cuts to slow payment times within the limits of current legislation. Compared to a payment floor, these techniques are blunter instruments with undesirable side effects. These include unpredictable budget and management guidance from HCFA to the carriers, wide quarterly swings in pending claims levels and payment cycles, subsequent overloads of provider and subscriber inquiries and complaints, and a growing distrust of the program that remains even when performance improves.

The Commission is concerned that the administration of the program will suffer long-term damage from this imposition of complex and conflicting requirements for claims processing. Last year's study by the General Accounting Office of Medicare contracting documented many other problems. The Commission necessarily believes that an effective administrative mechanism must be in place to implement improvements in the way the government pays physicians for serving Medicare beneficiaries.

Between the time of the March 3 hearing of the Subcommittee and the preparation of this response, Commission staff have already examined the delays in payment of claims that have arisen in the last few years and have assessed the Administration's proposals to delay claims payments further. The above discussion reflects this examination, which included review of carrier performance data; analysis of the President's FY 88 budget proposal; and discussions with carrier representatives, physician and beneficiary groups, HCFA officials, Congressional Budget Office and Congressional Research Service analysts, and staff of private insurers, employers and others who pay for physician services. The Commission heard a report on this investigation at its April meeting and is considering a recommendation for its June meeting.

The Commission's investigation of the prompt payment issue underscores its belief that efficient and credible implementation of physician payment policies is essential for the whole program's integrity. The Commission would not want continuing management and budget problems to undermine the readiness of contractors to implement the reforms the Congress adopts. An effective claims processing system will strengthen the anticipation of physicians, beneficaries and others that reforms in Part B payment will--in practice as well as theory--make claims payment simpler, fairer and more predictable.

ANNUAL RECOMMENDATIONS TO CONGRESS

MR. CHILES: You have been in operation since late October of last year.

-- Can you bring us up to date on what the Commission has accomplished at this time?

One of your responsibilities is to make recommendations to the Congress in an annual March report. By the way, may I add my congratulations on writing and submitting the report in 4 months!

-- Since this report has just been published, would you tell us what the Commission's work plan is for the next year? Are we moving towards a national fee schedule?

-- How long will it take to implement?

-- Your recommendations and report are advisory. What impact do you expect them to have on the Congress, the Health Care Financing Administration, and the health care field generally?

DR. LEE: The Commission has moved quickly since being funded to organize its work by holding five meetings in its first six months, hiring an Executive Director and other key staff, and developing an initial plan of work. Four months after the initial Commission meeting, PPRC delivered its first annual report to Congress. That document contained not merely a statement of problems with Medicare's payments for physician services but also a series of specific recommendations and directions for future problem-solving and study.

With the March report as a guide, staff are already pursuing work in several important areas: the process for developing relative value scales for physician services; the improvement of coding medical services; the extent and justification for geographic variation in fees with particular attention to potential problems in primary care services in medically underserved areas; the adequacy of the Medicare Economic Index; and the assessment of methods for encouraging the appropriate volume and quality of medical services for Medicare beneficiaries. As other important issues arise, they will be incorporated into the workplan.

Some elements of the workplan should be finished within the year, for example, any initial set of transitional recommendations on "inherent reasonableness" adjustments in Medicare allowable charges. Considerable progress should also be possible on geographic variation in fees. Other items will take considerably longer. For instance, the development of consensus panels to guide the preparation of a relative value scale is an important but time consuming means of obtaining both the technical assistance and professional acceptance necessary for the successful reform of physician payment methods.

The Commission's recommendations are only advisory but we think the March report is already having an impact. For example, interest in the Commission's recommendation on primary care payments in underserved areas was immediate. The Commission's workplan is designed to continue PPRC on a path toward objectives that are of great interest to many members of Congress. This path is illuminated by the Commission's intent to develop proposals that are not merely technically sound but are politically realistic, fiscally responsible and administratively feasible.

With respect to your question about a national fee schedule, we expect that the Commission's recommendations will involve a blend of national and regional elements. At this time, we anticipate the establishing of relative values for physician services that would apply nationwide. For example, the relative weights of an appendectomy versus a routine office visit would be the same for Florida or Oregon as for everywhere else. Likewise, the basic conversion factor which sets the dollar value for the service units in the relative value scale would be a national figure. If a procedure had a relative value of 10 and the conversion factor were $50, then the base fee for that procedure would be $500. Each base fee would then be adjusted to reflect regional variations in physicians' costs of practice. We expect, however, that the extent of regional variation associated with the fee schedule would be less than that which exists under Medicare's current method of paying physicians.

Other aspects of a fee schedule that we anticipate would move toward more uniform national definition include the coding of medical procedures (although much has already been accomplished here) and the differentiation of fees for specialists versus non-specialists. On the other hand, our preliminary expectation for utilization review is that some regional variation in the standards for linking payment to an appropriate amount and quality of medical care will continue. Such variation also exists for utilization review of Part A services and appears to have merit as long as broad national criteria are set for both the processes and standards for review.

ADMINISTRATIVE PROPOSAL TO INCORPORATE HOSPITAL-BASED PHYSICIANS INTO THE PROSPECTIVE PAYMENT SYSTEM

MR. CHILES: In the fiscal year 1988 budget, the administration has proposed incorporating the payment for services of certain hospital based physicians, that is radiologists, anesthesiologists and pathologists, into the prospective payment system.

- In fact, the research budget for the health care financing administration includes funding for studying this proposal. Will you also be studying this proposal?
- Have the commission members made any recommendations about this proposal?

DR. LEE: The PPRC is not now studying this proposal in detail. The Administration has not defined a specific proposal to pay for services of RAPs through DRGs. When a specific proposal is developed, the Commission will study and comment on it.

The Commission does not anticipate conducting research in this area. Rather, the Commission would study the results of research conducted by the HCFA, by the Congressional Research Service, and any other available studies.

In anticipation of an administration proposal in the near future, the Commission devoted time at its April 1987 meeting for initial briefings on the issue. It will allocate additional time during its June meeting for presentations from interested provider and beneficiary groups.

The Commission has not made any recommendations on this issue to date. In setting priorities for issues to be discussed in its first report to Congress, the Commission decided to defer the issue until later. It felt that its initial efforts would be better on broader and more far-reaching reforms of Medicare physician payment than on physician DRGs. In particular, the initial focus is primarily the reform of fee-for-service payment of physicians. In the longer term, the Commission would consider a variety of physician payment options including several alternative ways of paying for inpatient physician services.

ANALYSIS OF PAYMENT DELAYS IN CLAIMS PROCESSING

MR. CHILES: Dr. Lee, in your written remarks, you state that the Commission is planning to analyze payment delays in claims processing.

> -- Would you further elaborate on those plans? How will this analysis contribute to physician reform?

DR. LEE: [Covered in response to Senator Chiles' first question].

ACCESS TO CARE

MR. CHILES: Dr. Lee, I am concerned about the Medicare beneficiary's access to medical care. How will this concern be addressed as the Commission considers reforms in physician payment?

DR. LEE: Access to care for Medicare beneficiaries is one of the Commission's paramount concerns. In fact, when the Commission laid out the goals which guided its March report and recommendations, access to care headed the list. And access is an ever-present consideration as PPRC considers each item on its agenda. Moreover, as the Commission monitors the effects of recent changes in the Medicare program--for example, changes in incentives for participating physicians--the impact on access will be a prime consideration.

BUDGET REQUEST

MR. CHILES: Your budget request of $3,210,000 represents a threefold increase over your Fiscal Year 1987 appropriation. I do realize that a large portion of this is built-in salaries and expenses overhead for gearing up your staff to 26 positions.

> -- However, you are requesting $850,000 for policy analysis and data development. Since you will be in your second year of operation, do you think you can effectively allocate those dollars? In other words, do you think you agenda might too ambitious?

DR. LEE: Due to the Commission's early report deadline, it has been able quickly to get a clear idea of the work it needs to do. It has also had to determine early on the resources needed to accomplish this work. These resources include the $850,000 requested for policy analysis and data development.

The Commission does not view itself as a research entity but rather as an organization that makes independent and extended use of the research and data collection work of HCFA and NCHSR among others. A major priority is new analyses of existing HCFA data, the BMAD file, in particular. The Commission will soon have decided on its contracting procedures and will be ready to select those outside contractors it needs to supplement internal capabilities. Thus, we are prepared to move quickly into planned analyses and we will, in fact, start work this fiscal year on a limited basis as permitted by our current appropriation.

The development of consensus panels is another key step and will take expertise in the use of such groups that goes beyond the Commission's. At this time, we envision the use of consensus panels to make recommendations on refinements in medical coding, changes in allowable charges based on inherent reasonableness, and assignment of relative values for medical services. Staff have already met with several people who have used consensus panels in ways relevant to the purposes defined by the Commission.

Once the PPRC completed its March 1 report, it began planning how to pursue the analytic work described in the report. A number of potential policy analyses are being actively considered. By the time fiscal year 1988 begins and funding is available, plans that are much more refined will have been completed.

The following is a list of possible projects that could be funded by the $850,000 sum requested:

--time series analysis of Medicare outlays for physicians' services;

--analysis of the experience of some Canadian provinces with fee schedules with relative values differing from Medicare;

--construct a cost-of-practice index to reflect legitimate geographic variation in fees;

--survey variations in coding and payment practices across carriers

--simulation of policy initiatives with carrier claims files;

--monitoring the impact on beneficiaries of reductions in payment and charge limits for cataract surgery;

--simulation of refinements of the AAPCC to better reflect enrollees' expected health service needs;

--monitoring of Medicare experience with capitation;

In addition some of these funds will be needed for consensus panels. They will cover the costs of transportation and per diems for panelists and preparations of advance materials for the panels.

While we have not priced these projects yet, we anticipate that the cost is substantially in excess of the $850,000 requested, and that only the higher priority projects will be considered.

In sum, the Commission feels that it is preparing itself now to make effective use of the resources it seeks for FY 88. We expect to be able to share a detailed breakdown of spending plans with the Congress soon.

LENGTH OF COMMISSION'S TENURE

MR. CHILES: In its Fiscal Year 1987 report language, the House Committee on Appropriations viewed the Commission as a temporary one. The report language indicated a two year life for the Commission.

-- What is your time agenda for making recommendations to Congress?

-- How long do you think it will take for physician reform to be enacted?

-- How long do you anticipate Congress will require the services of the Commission?

DR. LEE: Neither the Commission nor those in Congress who drafted the provision of P.L. 99-272 that created it envision the Physician Payment Review Commission to be the type of advisory body that writes a report and then disbands. Those in the Congress most concerned about reform in Medicare physician payment envision major changes taking 3-4 years and desire the advice of the Commission continuously over this period. Some of the functions of the Commission, such as design work, require a lengthy period to complete, but must be completed in order for major reforms to be implemented. For example, coding must be refined and standardized, and a process to develop relative values must be in place. The fact that P.L. 99-272 provided for staggered three-year terms for commissioners and a process for reappointment is evidence of the fact that the drafters of the legislation did not envision a short-lived organization.

Many in Congress predict that major reform in Medicare physician payment will be enacted in 1989 or 1990. The fact that the Secretary of Health and Human Services' report on relative value scales is due in June 1989 is a clue to the thinking of those in Congress. For Congress to benefit from the work of the Commission, it should be actively functioning at least through 1990.

Once physician payment reform is enacted, refinement and monitoring will be essential, as has been the case in hospital prospective payment. At that point, the Congress will have to decide whether the Physician Payment Review Commission should play a role comparable to that played by PROPAC or whether HCFA can do the job adequately without a Congressional commission to advise it.

In conclusion, I feel that the Commission should continue its operation until the Congress passes major legislation reforming Medicare physician payment--perhaps 1989 or 1990. At that point, the Congress should decide whether the Commission should play a revised role in the implementation of the new system.

DISSEMINATION OF INFORMATION

MR. CHILES: The Commission is required by law to make recommendations to Congress in an annual March report, the first of which was submitted very recently.

-- As you proceed with your work agenda, how will you get the results of your analysis to the decision-makers in Congress?

DR. LEE: As the Commission implements its workplan, it expects to communicate periodically both interim findings and full-scale recommendations to Congress. It will also seek the advice of Congressional staff on its pursuit of specific issues. This ongoing process of communication has already started; Congressional and Commission staff are discussing such matters as primary care payments in medically underserved areas, adjustments in the Medicare economic index, and problems with prompt payment of Medicare claims.

The Commission expects and hopes to serve as a continuing resource for Congress. The annual report is a capstone document not our sole product. Interim reports to Chairmen and ranking minority members of relevant Committees, testimony, and answers to specific inquiries are some of the tools of communication the Commission will use.

PUBLIC PARTICIPATION IN COMMISSION'S WORK

MR. CHILES:

-- Do you allow for any public comment on the work of the Commission?

-- Do you ask any particular groups for public comment?

-- What policies have you instituted to allow for regular continued public comment?

DR. LEE: From the beginning, PPRC has stressed the importance of public input, and will continue to do so. Virtually all of the Commission's meeting time has been open to the public. Significant amounts of meeting time have been devoted to testimony from interested groups and from invited experts. Time is made available at each meeting for public comment. Agendas are published in the Federal Register and mailed to all those that have signed the register at a previous meeting.

Public input has influenced PPRC's thinking. The mode of operation has been to have a background briefing on an issue that is prepared either by the staff or by an outside expert not connected with a party with strong interests in the issue. The next stage is invited testimony from organizations that are interested in the issue and public comment from others. Only after hearing from interested parties will the Commission consider making a recommendation.

The processes used to develop the March 1 report are indicative of the Commission's relationships with the public. The Commission announced the areas in which it was contemplating a recommendation and invited numerous groups to testify. After the testimony, the Commission decided on its recommendations and had its staff draft the report. The Commission believes in an open process to the point that it had its staff circulate the draft report to interested groups for comment.

The Chairman and Executive Director have spoken at meetings of numerous organizations. While they have disseminated information about the role of the Commission and its thinking, they also have learned a great deal about the concerns of these organizations, and this has had an influence on the Commission's agenda. As an example, by addressing a group of anesthesiologists, the Executive Director learned of their extensive experience with relative value schedules and invited the leadership to speak at the April 9 meeting of the Commission on this subject.

In addition, the staff has met with many organizations to hear their views and concerns in depth.

RELATIONSHIP WITH THE HEALTH CARE FINANCING ADMINISTRATION

MR. CHILES: Since the Commission's work involves making recommendations for changes in the operation of the Medicare system, I would imagine that you work with the Health Care Financing Administration.

-- How would you describe your working relationship with the Health Care Financing Administration?

-- Do you share data and research with each other?

-- Have you found the agency contact with each other productive?

DR. LEE: The Commission has an excellent working relationship with the Health Care Financing Administration and other parts of the Department of Health and Human Services. Regular communication has been established at both the executive and technical levels. HCFA and DHHS generally have been very responsive to our inquiries.

HCFA has been very open in sharing its research and data with us, and we will share the results of our analyses as we develop them. The Commission will be careful not to duplicate work underway or planned in HCFA and elsewhere within the Department of Health and Human Services.

SUPPLEMENTAL REQUEST

MR. CHILES: You are requesting a Fiscal Year 1987 supplemental for $362,000. Would you please explain the rationale for this request?

DR. LEE: The Commission is requesting additional funds of $0.362 million for the current fiscal year. Two factors are responsible for this request: the initial budget request underestimated a number of mandatory expenditures and it did not anticipate key program expenditures that are required because the Commission began work more rapidly than projected.

Underestimates of mandatory expenditures in the original budget request were due both to changes in the external environment (e.g., a substantial increase in the fringe benefit rate charged to salaries of permanent employees) and from the absence of staff to assist me during the two-week period in July 1986 when I had to prepare the budget request for 1987. Funds to cover these mandatory expenditures account for 85 percent of the supplemental appropriation request. The Commission has developed some additional materials that describe these expenditures in detail that we would like to provide to the Committee today.

The second important factor underlying this supplemental appropriation request is the Commission's rapid startup. The size of the Commission's initial appropriation was a "start-up" budget that was based in part on the experience of the Prospective Payment Assessment Commission (ProPAC) in its initial year. For a number of reasons, PPRC had a faster start than ProPAC, and thus is capable of reaching a higher level of operation during its first year.

First, a four-month period between the appointment of the Commissioners and the beginning of operations permitted a more rapid start-up. The Commission was able to recruit an executive director, who in turn held informal discussions with candidates for the senior staff before the actual beginning of operations. In contrast, ProPAC did not hire an executive director until the middle of its first year of funding.

Second, the March 1 report deadline forced the Commission to speed up initial activities. As I indicated, the Commission met monthly for four months. The issuing of a substantive report so early in its first year resulted in the Commission having a detailed and ambitious workplan specified much earlier than anyone might have anticipated when the original budget request was considered.

Third, the Commission benefited significantly from the experience and assistance of ProPAC, especially in the area of operating policies and administrative procedures. As a result of these factors, Fiscal Year 1987 might be viewed not as an initial year of operation, but as something between the first and second years of operation.

We understand that there has been some question about the necessity of a supplemental appropriation given the rate at which the Commission obligated funds during the initial months of the fiscal year. We would like to provide the Committee with a table that summarizes the Commission's obligations through March as well as its projected obligations for the remainder of the fiscal year. In its intital months, the Commission focused its efforts on defining its operating policies, recruiting a core of highly qualified professionals, and preparing its first annual report to Congress. The Commission's obligations through March of this year reflect these activities as well as the deferral of major expenditures that are anticipated in the next few months in the following areas:

> --salaries and fringe benefits: once the core staff had been hired, further recruitment was curtailed temporarily in order to devote all staff resources to preparing the March 1 report to Congress. Now that the report has been submitted, the Commission is actively recruiting staff. This is reflected in the projected obligations for both salaries and fringe benefits.

> --office expenditures: the Commission has occupied temporary office space and deferred many office expenditures while waiting for GSA to procure and renovate its permanent quarters. The Commission will move into its new offices in mid-April, and at that time will experience a substantial

acceleration in its obligations for rent, moving charges, office furniture, office equipment and telephone.

--computer, data analysis and consensus panels: in its initial months, the Commission relied on the analytical work of its staff to prepare its first report to Congress and deferred expenditures for data processing and analysis by outside experts. That report outlined policy directions and the work required to develop specific proposals consistent with those directions. Implementation of the Commission's workplan requires that staff activities now be supported by computer resources and by modest amounts of outside expertise in cases where conducting the analysis internally would be more costly and time consuming than building on existing work or where the technical expertise, such as in the case of developing a consensus process, does not exist within the staff.

In the process of developing recommendations for its March 1 report, the Commission identified a number of areas where it had to defer action on additional recommendations until it was better informed by analysis. Geographic variation in payment is an example. Without adjustments to offset the effects of variation in coding practices and the development of suitable fee indexes and cost-of-practice multipliers, it is difficult to assess the degree of any problems of systematic underpayment of rural physicians relative to urban physicians.

Other developmental work is needed if the Commission, as charged, is to advise the Secretary of Health and Human Services and the Congress on changes in payment based on the principle of inherent reasonableness. The Commission noted the expense and difficulty of the current approach that HCFA is using, and plans to test an alternative approach making use of consensus panels. The Commission feels that its approach would save time and money by augmenting limited data with informed judgment, and achieve results more readily accepted by physicians and others.

OBJECT CLASSIFICATION:	ORIGINAL PROPOSED BUDGET	OBLIGATED AS OF 3/31/87	PROJECTED OBLIGATIONS					
			APRIL 1987	MAY 1987	JUNE 1987	JULY 1987	AUGUST 1987	SEPTEMBER 1987
					[cumulative]			
Salaries								
Fulltime Staff	466,602	136,277	174,277	218,111	266,945	335,178	400,890	466,602
Consultants	25,000	0	0	6,000	12,500	25,000	25,000	25,000
Commission Members	58,960	54,220	65,842	76,439	87,035	108,228	108,228	108,228
Subtotal:	550,562	190,497	240,119	300,550	366,480	468,406	534,118	599,830
Benefits	73,938	33,194	43,468	59,666	72,559	91,843	107,366	122,243
Subtotal:	624,500	223,691	283,587	360,216	439,039	560,249	641,484	722,073
Travel								
Staff	0	1,200	1,800	2,300	2,850	3,700	5,000	6,200
Commission Members	50,000	49,509	49,509	57,509	65,509	65,509	73,509	73,509
Standard Level User Charges	50,000	22,845	29,145	35,395	41,645	47,845	54,097	60,345
Communications, Utilities and Other Rent:								
Mainframe Computer and Programming	150,000	0	0	30,000	65,000	120,000	135,000	150,000
Telephone	15,000	10,082	10,882	11,482	12,182	12,682	14,000	15,682
Postage	8,000	3,000	3,500	3,800	4,600	5,500	6,400	7,000
Printing, Xerox and Reproduction	12,500	9,050	16,000	21,000	24,000	29,685	32,500	37,685
Other Services:								
Policy Analysis, Data Development, and Consensus Panels	20,000	0	0	0	20,000	40,000	55,000	75,000
Other Contracts ***	0	43,993	47,000	51,000	55,000	59,058	65,000	74,058
GSA Services	5,000	18,080	22,000	27,000	31,000	35,000	0	35,000
Supplies and Materials:								
Supplies	11,000	7,500	8,000	8,500	10,000	11,500	13,000	14,000
Publications	4,000	2,337	2,800	3,000	3,500	4,337	4,700	5,537
Equipment								
ADP	28,000	23,959	28,500	35,000	37,000	41,959	45,959	45,959
Office	22,000	10,618	15,000	19,000	20,000	22,000	40,000	40,000
TOTAL	1,000,000	425,704	517,723	665,202	831,325	1,059,024	1,185,649	1,362,048
RATE OF SPENDING:		42.6%	51.7%	66.5%	83.1%	106%	119%	136%

The Commission's first annual report to Congress contained substantive recommendations that have generated considerable support from organizations representing beneficiaries, physicians and others. The approaches outlined in the report have the potential for significant change in physician payment policy and provide the basis for more rational interim changes to redress current distortions in relative payments and to achieve short-term budget savings. We have shared with the staff of the Subcommittee the Commission's workplan for Fiscal Year 1987. We indicated on the workplan which activities would be deferred to FY88 or substantially delayed if supplemental funds were not received. These delays would be unfortunate and the time lost in many cases could not be made up.

STAFF TRAVEL

MR. CHILES: Your budget estimate for Fiscal Year 1988 includes $25,000 for staff travel. Would you elaborate on what those travel expenses include?

DR. LEE: The Commission's estimate for Fiscal Year 1988 includes $25,000 for staff travel, which works out to only $1,000 per staff person per year. This travel will cover travel to meet with experts on subjects included in the Commission's workplan and to visit organizations performing functions of concern to the Commission. For example, private entities who pay physicians for medical services may be a valuable resource for development of relative value scales and tools to link to payment to the appropriate use of medical services.

In a great many instances, outside researchers and others will be able to meet with us in Washington. In some cases, however, an adequate picture of a research project or organizational process can only be obtained through on-site meetings and demonstrations. The travel budget includes very limited support for professional meetings and for presentations to key groups affected by the Commission's work.

COMMISSION MEMBERS

MR. CHILES: For the record, would you provide the names of the Commission members and their terms of tenure.

DR. LEE: The Commissioners appointed and the years in which their terms expire are:

PHILIP R. LEE, M.D., Director of the Institute for Health Policy Studies, School of Medicine, University of California, San Francisco (Commission Chairman) (1989).

OLIVER H. BEAHRS., M.D., Professor of Surgery, Emeritus, Mayo Medical School, Rochester, Minnesota (1988).

JIM BOB BRAME, M.D., private practitioner of medicine, Eldorado, Texas (1989).

ROBERT N. BUTLER, M.D., Brookdale Professor and Chairman of the Gerald and May Ellen Ritter Department of Geriatrics and Adult Development, Mt. Sinai School of Medicine, New York (1989).

KAREN DAVIS, PH.D., Chairman of the Department of Health Policy and Management, Johns Hopkins School of Hygiene and Public Health, Baltimore, Maryland (1987).

JOHN EISENBERG, M.D., M.B.A., the Sol Katz Associate Professor of General Medicine and Chief of the Section of General Medicine, Univeristy of Pennsylvania, Philadelphia, Pennsylvania (1987).

JACK GUILDROY, Port Washington, New York, member of the National Legislative Council of the American Association of Retired Persons (1987).

MARK C. HORNBROOK, PH.D., Senior Investigator and Senior Economist, Center for Health Research, Kaiser Permanente, Northwest Region, Portland, Oregon (1987).

CAROL ANN LOCKHART, M.S., R.N., Executive Director, Greater Phoenix Affordable Health Care Foundation, Phoenix, Arizona (1988).

WALTER MCNERNEY, the Herman Smith Professor of Hospital and Health Services Management at the J.L. Kellogg Graduate School of Management, Northwestern University, Chicago, Illionis (1988).

THOMAS R. REARDON, M.D., private practitioner of medicine, Portland, Oregon (1988).

UWE E. REINHARDT, PH.D., Professor of Economics and Public Affairs, Princeton University, Princeton, New Jersey (1989).

RICHARD W. WRIGHT, Manager, Group Insurance, Caterpillar Tractor Company, Peoria, Illinois (1989).

While official notice has not yet been forwarded, the four Commission members whose appointments expire in 1987 have been reappointed by the Office of Technology Assessment.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

PHYSICIAN PAYMENT REVIEW COMMISSION

MR. WEICKER: Can you highlight some of the recommendations included in your report to congress regarding:

-- physician assignment and

-- restructuring of the Medicare Economic Index

DR. LEE: As noted in its March report, the Commission will be analyzing the experience of the participating physician program, including the incentives included in last year's Omnibus Budget Reconciliation Act. These incentives have the potential to increase assignment by improving the information available to beneficiaries and by making participation more attractive to physicians. In addition, the Commission's March report recommended that continuing attention be paid to ways to make it easier for participating physicians (and those who accept assignment) to have their claims paid so they do not, in frustration, drop out of the program and transfer the burden of claims filing to beneficiaries.

The Commission will be monitoring the implementation of physician-participation incentives and beneficiary information programs and will assess their impact on physicians and beneficiaries. Such monitoring is important to know whether the incentives are working or need to be refined.

Your question also covers the Medicare Economic Index, which limits increases in Medicare prevailing charges to increases in physician's practice costs and wage rates throughout the economy. The MEI is still applied to the pattern of prevailing charges which existed in 1973. The weights have been updated periodically but not the relative payment base. The Commission is investigating the distortions this may have created in Medicare payments for different physician services and will assess the need for the MEI to be rebased using more current data. Commission staff will also be following the progress of the Health Care Financing Administration's study of how well the MEI reflects economic factors affecting physicians who serve Medicare patients. It will contribute to that study where feasible.

MR. WEICKER: What plans do you have for spending the large increase requested for Fiscal Year 1988?

DR. LEE: The level of financial support requested for Fiscal Year 1988 would permit a prudent growth of staff from 9 to 24 by the end of the fiscal year. It would also allow modest funding of outside grants and contracts for policy analysis and data development as described earlier.

The Commission has a lot of activities planned to move from its initial recommendations and statement of directions to a specific set of feasible reform proposals. The activities involve the dozen or so areas discussed in the March report including fee schedules, geographic variation, assignment, the Medicare Economic Index, coding, and data. They also cover issues deferred to later reports--quality of care, specialty variations, second opinion, per case payment of radiologists, anesthesiologists, and pathologists, and capitation.

The types of work planned for 1988 are described in detail throughout the Commission's March report. The major initiatives can be summarized as follows:

Fee Schedules. The Commission plans a detailed analysis of issues critical to the design of a fee schedule for Medicare and the impact of alternative design options. These issues include development of a relative value scale and consideration of policies regarding physician participation and assignment.

Geographic Variation. Using various Medicare claims files and survey data on physicians' practices, the Commission plans detailed analyses of geographic variation in Medicare payments, costs of practice, and costs of living. These analyses will form the basis of both recommendations to reduce geographic variation under the current payment system and the geographic multipliers that are a part of a future fee schedule.

Consensus Process. The Commission will review the processes that have been developed for group decision making and design and implement consensus processes for making recommendations on changes in payment for selected services under inherent reasonableness, developing a relative value scale, and refinements and standardization in procedure codes.

Assignment and Beneficiary Liability. The Commission will analyze the experience with the participating physician program, the general limitations on physician charges enacted as part of OBRA86, and reimbursement changes based on the criterion of inherent reasonableness. Again, this analysis will be relevant to both the evolution of assignment policy under the current system and the decision concerning whether a fee schedule would necessitate a change in policies regarding assignment.

Hospital-based Physicians. The Commission will analyze various proposals to reform the methods used to pay hospital-based physicians such as radiologists, anesthesiologists, and pathologists (RAPs).

Medicare Economic Index. The Commission will assess the process by which the MEI is applied to new procedures and analyze the uneven effects it has had on payment for various procedures. It will develop and simulate alternative methods of rebasing the index to prevailing charges in a year more recent than 1973.

Analysis of Increases in SMI Outlays. Current understanding of the composition of increases in outlays is very limited. The Commission plans to study the recent increases to determine the roles played by fee increases, changes in claims processing cycles, changes in medical practice, changes in coding practices, and other factors.

Inherent Reasonableness. In addition to testing the use of consensus panels, the Commission plans to study the potential use of existing relative value scales as a guide to making recommendations for changes in payment.

Standardization of Procedure Coding. A prerequisite to changes in relative payments for different services is consistent coding practices. The Commission has established a subcommittee to direct its work in this area. The Commission will assess the lack of precision in current coding and the variation in coding practices and design a mechanism using consensus panels to improve definitions and reduce unnecessary codes.

Program Administration. Work in this area that is of high priority to the Commission will begin with an analysis of payment delays in claims processing. The Commission will evaluate the President's budget proposal in this area and its impact on providers and beneficiaries of HCFA administrative actions already taken. The Commission also will begin to assess the administrative requirements of conversion to a fee schedule.

Volume Options. The Commission will assess existing utilization management approaches and develop a strategies appropriate for alternative fee schedule designs.

In summary, the Physician Payment Review Commission has made a rapid and promising start. But it is only a start. To reform Medicare physician payment will require a great deal of hard work by the Commission over the next few years to translate its broad ideas concerning the directions of change into detailed recommendations that the Congress can use to draft legislation. This work will require resources, though the amounts that we have requested are very small when they are compared to the potential budget savings that can result from the activities that we are planning. For example, making selective cuts in payments for overpriced services alone has the potential for annual program savings of hundreds of millions of dollars.

LETTER FROM PHILIP R. LEE

April 13, 1987

The Honorable Lawton Chiles
Chairman, Subcommittee on Labor, Health and Human
Services, Education
Committee on Appropriations
United State Senate
Washington, D.C. 20515

Dear Mr. Chairman:

This letter is in response to the questions on the prompt payment of Medicare claims that you raised during the subcommittee's March 3 hearing on the Physician Payment Review Commission.

Your first question and my response are:

Senator Chiles. Dr. Roper has testified that increasing the average claims payment time from 16 to 20 days would not have any impact on beneficiaries or providers. Would you agree with that?

Dr. Lee: We would not agree but we would want to look into the issue in more detail. We are concerned about the impact of delayed payment, particularly on participating physicians.

In order to respond more fully to your inquiry, we have investigated prompt payment more thoroughly. The Commission's most serious concern is with the Administration's major goal of slowing claims payment to a 28 day floor, that is, to pay no claim sooner than 28 days after receipt of the claim. This, of course, would require Congress to repeal last year's prompt payment requirements in the Omnibus Budget Reconciliation Act. Even without repeal, the Administration is proposing a 24 day floor on claims payment in Fiscal Year 1988.

We believe payment delays of these magnitudes are unwarranted and risky and ultimately would have negative effects upon physician participation rates, eneficiary protection and administrative costs. To the 24 or 28 day floor, you must add three to four days for mailing and logging the claim and a like amount for mailing the subsequent payment. This can quickly kick the claim into a new monthly billing cycle for a physician. The generation of new duplicate claims would be expensive as would additional inquiries from physicians and beneficiaries about the status of the claim.

Moreoever, if a system failure or other problem produced additional delays in payments, as has happened before, then the situation would deteriorate further causing greater cash flow problems, particularly for solo practitioners, small groups and beneficiaries. Our informal review of private sector health benefit programs indicates that insurers, self-administered employers, PPOs and other similar organizations do do not commonly design payment cycles as slow as those proposed by the Administration.

For this fiscal year, the Administration seeks to slow average claims payment times from 16 to 20 days and to reduce the amount of variation from one carrier to another. It has indicated that while slower carriers may be faced with greater pressure to speed payments, better-than-average carriers may have their budgets reduced.

Fortunately, the negative impact on physicians and beneficiaries of a slowdown in average payment times from 16 to 20 days should be more limited, in some respects, than either the proposed payment floors or last year's payment delays. The most important reason, as you know, is that Congress has required for this fiscal year that 95 percent of clean claims be paid within 30 days and that interest must be paid the provider or beneficiary for any clean claim paid after 30 days.

Nevertheless, the Commission is concerned about HCFA's continuing use backlogs, average payment standards and budget cuts to slow payment times. Compared to a payment floor, these techniques are blunter instruments with undesirable side effects. These include unpredictable budget and management guidance from HCFA to the carriers, wide quarterly swings in pending claims levels and payment cycles, subsequent overloads of provider and subscriber inquiries and complaints, and a growing distrust of the program that remains even when performance improves.

The Commission is concerned that the administration of the program will suffer long-term damage from this imposition of complex and conflicting requirements for claims processing. Last year's study by the General Accounting Office of Medicare contracting documented many other problems. The Commission necessarily believes that an effective administrative mechanism must be in place to implement improvements in the way the government pays physicians for serving Medicare beneficiaries.

Your second question and my response are:

Senator Chiles: Have the changes with respect to prompt payment in the last couple of years had any impact on physician participation?

Dr. Lee: We believe that payment delays can be a barrier to physician participation in Medicare, and we will be monitoring the situation.

There is no way to measure directly the impact on physician participation of the changes in claim payment times over the last couple of years. The participation program is relatively new, and additional incentives were just added last year. It is hard to trace the effects of any one factor, whether it be last year's backlogs of claims or Congress's more recent actions to speed payment of clean claims.

At this time, the majority of claims apparently are being paid on a cycle that is roughly consistent with the practices of major private payers. However, some doctors experience more problems than others, and some geographic areas have experienced more delays. Florida--with its large resident elderly population and many additional winter residents--appears to be particularly vulnerable to the kind of budget cuts and administrative slowdown that HCFA has been implementing in the last two years.

Some of the actions implemented by HCFA in the last year have produced substantially slower payments of claims for parts of the year. This harms beneficiaries, and it creates cash flow problems for many physicians, particularly some rural doctors and some smaller suppliers such as ambulance companies. In fact, the lack of predictability in payment cycles has probably been more of a problem than the increase--so far--in the average claims payment time.

The problem of delayed payment in Florida illustrates the problem. In the period from 1983 to 1985, the carrier for Florida reported mean processing times that were below the national average, but mean processing time rose from 6.0 days in 1984 to 18.9 days in 1986. These and other data on claims processing in Florida are shown in the attached table. We understand that HCFA has released more funds to the Florida carrier and that the backlog of 1.1 million claims from September 1986 has been halved. Average processing time is now about 11 days and average payment time is roughly 17 days.

However, we also understand that the level of funding that has permitted the improvement in Florida and elsewhere is not expected to continue. Performance may once again deteriorate, although the 30 day ceiling should contain some of the damage.

In any case, neither physicians and beneficiaries are likely to forget last year. Over the long term, the program may be creating a reservoir of distrust and unpredictability that will damage efforts to build and maintain physician support for future program changes.

If you have any questions about this material or about claims processing timeliness more generally, I would be pleased to assist you and the Committee further. Walter McNerney, as a member of the Commission and expert on health benefits management, is also ready to assist in any way he can on these issues. In addition, your staff should feel free to call Marilyn Field, Associate Director of the Commission, who has been examining the administration of Medicare payment of physicians.

Sincerely,

Philip R. Lee / PBG

Philip R. Lee, M.D.
Chairman

Part B Claims Processing Trends
Blue Cross and Blue Shield of Florida

Fiscal Year	1986	1985	1984	1983
# Claims received - FL	22.0m[a]	19.5	16.6	16.4
(% change - FL)	(12.8)	(17.5)	(2.5)	
(% change - US)	(11.1%)	(18.3)	(9.9)	(10.7)
# Claims pending - FL	1.1m[b]	.5	.3	.1
(% change - FL)	(120.0%)	(66.8)	(200.0)	
(% change - US)	(7.6%)	(42.3)	(60.4)	(21.3)
Mean processing time[c] - FL	18.9dys	13.3[d]	6.0	4.6
(% change - FL)	(42.1%)	(216.7)	(30.4)	
(% change - US)	(23.5%)	(29.6)	(16.2)	(-4.8)
Mean, Assigned Claims - FL	14.4	11.5	5.2	4.0
Unassigned	27.0	16.3	6.8	5.3
Mean, Assigned Claims - US	16.9	14.1	10.9	9.3
Unassigned	21.3	16.6	12.3	10.6
% claims processed within 30 days - FL	77.5%	91.8	95.8	97.0
- US	84.7	90.0	93.8	95.2

SOURCE: Health Care Financing Administration, Carrier Workload and Processing Times Report, Fiscal Years 1982-1986 and personal communications with Blue Cross and Blue Shield of Florida.

[a] The increase in claims volume from the preceding year substantially exceeded the projections used by HCFA to establish the carrier's budget.

[b] Part of the increase over the preceding years reflected instructions from HCFA to backlog claims and part reflected the unbudgeted increase in claims noted above. The first half of FY 87 shows significant reductions in pending claims.

[c] Mean payment time has not been routinely reported by HCFA. It has averaged about 3 to 4 days beyond mean processing time although HCFA's latest survey of carriers showed a 4.7 day increment.

[d] New requirements to identify other payers with primary liability for payment and to review the medical appropriateness of services have added steps to the claims payment process and may account for some of the lengthening of mean processing times.

NATIONAL LABOR RELATIONS BOARD

STATEMENT OF DONALD L. DOTSON, CHAIRMAN

ACCOMPANIED BY:
ROSEMARY M. COLLYER, GENERAL COUNSEL
LEE D. VINCENT, COMPTROLLER

PREPARED STATEMENTS

Senator CHILES. Our final panel today consists of representatives of the National Labor Relations Board, the Occupational Safety and Health Review Commission, Federal Mine Safety and Health Review Commission, and the Soldiers' and Airmens' Home, and we will ask them to come up. Mr. Dotson, we are going to let you as Chairman of the National Labor Relations Board lead off. The committee is well acquainted with the Board's mission to resolve representation disputes in industry and prevent unfair labor practices by employers and labor organizations. The committee has reviewed your budget request and revised request for 1987.

Your entire statements will be in the record if you would introduce you staff, and we would like you to please highlight your testimony for us, if you would.

[The statements follow:]

STATEMENT OF DONALD L. DOTSON

I welcome this opportunity to appear before you as Chairman of the National Labor Relations Board to present the Agency's budget request for Fiscal Year 1988. In accordance with normal procedure, the Agency has already submitted to you a detailed Fiscal Year 1988 Justification. In my testimony today I would like to touch briefly on some of the highlights of that Justification statement and make a few additional comments as well.

For Fiscal Year 1988, the NLRB is requesting an appropriation of $141,580,000 compared to total anticipated 1987 funding of $132,247,000.

The Budget request before you for 1988 is the product of an analysis of the NLRB's best current estimate of: the number of cases that the Agency will receive in 1988; how these cases will be resolved (that is, whether by settlement, dismissal, withdrawal, trial, etc.); the number of staff-years of employment needed, based on targeted rates of productivity; and, finally, the direct costs and support costs required to handle the anticipated caseload.

The Budget request presented to you today projects that the NLRB's case intake in 1988 will increase by about 3.8 percent, while staff will decrease by about 1.1 percent and funds increase by 7.1 percent. With the combination of a moderate degree of staff attrition and an increase in case intake, we will be in a position to handle our cases on a timely basis and show higher productivity rates throughout the casehandling pipeline.

The total 1988 cost increase from 1987 is $9,333,000. Let me point out that $6,102,000 of the $9,333,000 increase is the Agency's estimate of its payment to the new Federal Employees Retirement System (FERS). The increased funding is necessary to meet normal operating expense requirements and employment expenses that are not completely offset by our expected level of attrition and productivity achievement.

This is a budget that will fulfill the resource requirements of the Agency necessary for us to handle our workload.

Directly under the responsibility of the Chairman and the Board are the Division of Administrative Law Judges and the staffs of the Board Members. I would like to briefly address these two areas at this time. The General Counsel has statutory responsibility for the investigation and prosecution of cases. She will be addressing these concerns separately.

ADMINISTRATIVE LAW JUDGES

In 1986 our Administrative Law Judges closed 686 hearings, issued 705 decisions and obtained 623 settlements, 369 in person and another 254 by means of conference calls. Along with a recent decline in case intake a significant factor in this achievement is the emphasis within the Division of Administrative Law Judges, and in the operations under the responsibility of the General Counsel, on settling cases whenever possible. This settlement emphasis is critical, not only because every 1 percent increase in the number of meritorious case settlements eventually saves the Agency over $1 million in litigation costs, but also because the parties themselves avoid the delays and cost inherent in the formal trial process and subsequent consideration by the Board and the Courts of Appeals. The cost effects of fluctuations in the settlement rate, of course, do not all occur in the same fiscal year, but depend on when the cases would move through subsequent stages of disposition.

MEMBERS' STAFFS

Under present Budget estimates the Board Members will be faced with the task of deciding 900 contested unfair labor practice cases in 1987 and 1,000 in 1988. In 1986, the Board decided 857 unfair labor practice cases and 404 contested representation cases. Present estimates call for the Board to decide 363 contested representation cases in 1987 and 379 in 1988.

The Board has for the second year in a row succeeded in lowering its backlog of undecided cases. The backlog reached its all time high of 1,628 unfair labor practice and representation cases in February, 1984. At the end of January 1987 the backlog had declined to 950 cases, a drop of 678 cases or 42 percent. We have achieved this reduction without increasing the number of staff attorneys assigned to each Board Member and despite the funding reduction mandated by deficit reduction goals. While some of the backlog reduction can be attributed to a drop in case intake, the reduction continued in 1986 without the details of employees from offices of the General Counsel that we had used in the two preceding years. The budget for 1988 anticipates that the Board will continue to reduce the number of cases awaiting its decision.

There has been an increase in recent years in the number of representation matters coming to the Board for decision, and I should also note that, in addition to numerous initial decisions in contested election cases, the Board also rules on several hundred other appeals and requests for review of decisions by the Regional Directors. In these types of cases, our budget also provides for keeping current despite an increasing workload.

CONCLUSION

It is my firm belief that the process afforded by the NLRB to resolve conflict is valuable and that it is essential that the Agency receive its requested funding. It is my intention to assure that the Agency will do all that is possible to resolve the labor disputes within its jurisdiction in a timely, professional manner. I offer you my further commitment to assuring that the NLRB's mission is carried out expeditiously and in the most cost-effective manner.

STATEMENT OF ROSEMARY M. COLLYER

Mr. Chairman and distinguished members of the Subcommittee: I am pleased to appear before you as General Counsel of the National Labor Relations Board and in support of this Agency's budget request for Fiscal Year 1988.

For Fiscal Year 1988 we have a budget request for $141,580,000, an increase of $9,333,000 from the 1987 total funding of $132,247,000. The NLRB's 1988 request will support all normal Agency casehandling operations. It will provide all of the funds necessary to process in 1988 36,969 unfair labor practice cases and 8,794 representation petitions: a total case increase of about 3.8 percent over 1987. The total 1988 staff request for the Agency is for 2,343 FTE.

As part of the normal budget process, the Agency has already submitted a detailed "Justification of Estimates for Fiscal Year 1988". Because of the importance of the Office of the General Counsel in the casehandling and administrative functions of the Agency, I would like to take this opportunity to review in greater detail the responsibilities of my office, highlight the accomplishments of Fiscal Year 1986, and talk about the outlook for Fiscal Years 1987 and 1988.

RESPONSIBILITIES OF THE OFFICE OF THE GENERAL COUNSEL

As you know, the National Labor Relations Act (29 U.S.C. 141-167) provides that "the General Counsel shall exercise general supervision over all attorneys employed by the Board (other than Administrative Law Judges and legal assistants to Board Members) and over the officers and employees in the Regional Offices. He shall have final authority on behalf of the Board, in respect of the investigation of charges and issuance of complaints under Section 10, and in respect of the prosecution of such complaints before the Board, and shall have such other duties as the Board may prescribe..."

As a result of this statutory authority, the General Counsel supervises the Agency's field establishment of thirty-three regional offices. It is those Regional Offices that receive unfair labor practice charges, investigate them, determine their merit, and then as to those cases deemed meritorious, settle or prosecute them. Under authority delegated by the Board, the Regional Directors also receive and process representation petitions; determine appropriate units for employee representation; conduct elections; resolve allegations of objectionable election conduct, and certify election results. Additionally, on behalf of the Board the General Counsel pursues enforcement of Board decisions administratively or by litigation in the Circuit Courts of Appeal.

The Agency does not have complete control over its case intake. It must respond to all inquiries concerning possible violations of the National Labor Relations Act. When an unfair labor practice charge is filed at one of the Agency's thirty-three regional offices, 3 sub-regional offices or 16 resident offices, it begins to move through what can be described as a casehandling "pipeline". The newly filed charge is investigated first for merit and, if found to be meritorious, the parties are encouraged to settle without further action. Non-meritorious cases are withdrawn or dismissed. If a case is found to have merit and no initial settlement is reached, then a complaint is issued and a hearing held before an Administrative Law Judge. Following the hearing and the Judge's decision, there may be further appeals to the Board and the Courts of Appeal. At any point in the process, the parties may reach a settlement, which, if approved, obviates the need for further proceedings.

Because each unfair labor practice charge brought before the Agency must be resolved and because an ever greater amount of time and resources must be devoted to achieving the resolution of a case the further it proceeds along the Agency's casehandling "pipeline", we have defined four major objectives which must be met in order for the Agency to effectively enforce the NLRA and thereby facilitate the nation's economic growth. These objectives are: first, to carefully screen out clearly non-meritorious cases; second, to maintain the

NLRB's traditionally high settlement rate; third, to continue to develop more efficient means of casehandling in order to process quickly and fairly the maximum number of cases; and fourth, to achieve these objectives with a commitment to maintaining and even improving the quality of our service to the public.

In order to meet the first challenge, the Office of the General Counsel utilizes an intensive public information officer program in our field offices. This program seeks to provide help to those who contact our offices about their concerns. Careful attention at this early, prefiling stage assures that we can screen out many no-merit charges, thus saving Agency resources which would otherwise be expended in investigating non-meritorious charges if they were filed. It is through the administration of this important program that many thousands of persons are provided with guidance as to what this Agency can and cannot do for them, and as to whether or not they should file a charge. The effectiveness of this program is demonstrated by the fact that during Fiscal Year 1986 this Agency's field offices handled 205,461 such contacts from employees, unions and employers, of which only about 12,289 resulted in the filing of an unfair labor practice charge. (Approximately 21,491 additional charges were filed directly during FY 86.) Thus, the Regions through this program minimize the chances of unnecessary case filings that, had they been filed, would have drained already limited resources.

The second challenge, achieving the maximum number of settlements, involves a great deal of preparation, time, and effort on the part of the staff of the Office of the General Counsel. Administrative Law Judges will also aid the parties in an effort to reach an equitable settlement. Even in the highly simplified picture of the Agency's case "pipeline" just discussed, it is apparent that as a case progresses from the initial investigation by our field staff to its litigation in the courts, the drain on Agency resources becomes increasingly severe. In fact, a decrease of 1 percent in the settlement rate for meritorious cases may result in an additional cost to the Agency of more than one million dollars by the time all of the work generated by fully litigating such cases is completed.

The third challenge faced by the Office of the General Counsel and the rest of the Agency is the ongoing necessity of quickly processing the maximum number of cases within our budget constraints with fairness to all concerned parties. The NLRB has a long history of increasing its level of productivity and its success has been documented by the Bureau of Labor Statistics, the Office of Personnel Management and by the Comptroller General.

Finally, and importantly, we are committed to providing quality case-handling and effective remedial action in Agency proceedings.

Accomplishments in Fiscal Year 1986

The record of the Office of the General Counsel in 1986 reflects the careful attention given to our obligations under the NLRA and to our obligation to conserve public funds. Both the Washington and Field offices under the General Counsel's responsibility have consistently been able to maintain a high level of service to the public. These staffs are composed of hard working and dedicated public servants and it is their commitment, together with the assistance of this Committee in the budget process that has made this fine record possible.

The NLRB's level of service is reflected in these 1986 operating results:

1. Case Intake. The Regional Offices accepted and began processing 41,639 total cases. The 33,780 unfair labor practice cases filed are an increase of 3.8 percent from those filed in Fiscal Year 1985. There were 7,859 representation cases filed, a decrease of 6.5 percent from 1985.
2. Unfair Labor Practice Case Dispositions. Of the unfair labor practice charges filed, 33.7 percent were found to have merit, compared to the 32.4 percent in 1985. The settlement rate was 93.5 percent, a slight increase from the 92.5 percent achieved in 1985. A total of 3,135 complaints were issued in a median time of 45 days as compared to 44 days in 1985. The Agency closed approximately the same number of cases as were received.
3. Litigation Results. The 82.4 percent of Board and Administrative Law Judge decisions won in whole or in part in Fiscal Year 1986 is an increase from the 74.6 percent litigation rate of Fiscal Year 1985.

4. Representation Case Performance. The Regional Offices conducted about 4,380 initial elections of which 83.8 percent were pursuant to agreement of the parties; in 1985, the corresponding figures were 4,825 elections and 81.5 percent agreements. Regional directors issued 902 decisions in contested representation cases after hearing in a median time of 42 days, compared with the 1,083 decisions, also issued in a median time of 42 days, in 1985. There were 1,235 initial representation and union deauthorization hearings in 1986, compared with 1,411 in 1985.

5. Productivity. In 1986, as in 1985, productivity was affected by a decline in case intake which was greater than staff attrition. Productivity is budgeted to increase substantially in 1987 as the 1986 imbalance between caseload and staff is rectified, and we intend to increase productivity significantly in 1988.

6. Injunction Activity. During Fiscal Year 1986, the Regional Offices submitted 163 Section 10(j) cases to the Division of Advice compared to 168 cases submitted in 1985. The Board authorized 10(j) injunction in 43 cases in 1986 compared to 38 in 1985.

   The Regional Offices filed 98 petitions for Section 10(l) injunctions with the appropriate U.S. District Courts. In 1985, 76 petitions were filed.

7. Appellate Litigation. In Fiscal Year 1986, 197 cases were decided by the United States Courts of Appeals compared with 188 in Fiscal Year 1985. Of these, 82.3 percent were won in whole or in part, compared with 89.4 percent in Fiscal Year 1985; 7.1 percent were remanded entirely compared with 5.8 percent in Fiscal Year 1985; and 10.6 percent were entire losses compared with 4.8 percent in Fiscal Year 1985.

These are but a few of the achievements this past year. I am particularly proud of this Agency's settlement record and of the time statistics described above. These achievements are even more remarkable considering the funding constraints resulting from the deficit reduction program. Taken together with the very favorable comments of practitioners from across the country about the quality of the service they receive, our record reflects the truly outstanding commitment of the Regional and Washington staffs.

Outlook for Fiscal Year 1987

For 1987, the offices under the General Counsel are operating effectively and efficiently. Tight control continues to be exercised over expenditures to ensure effective use of the Agency's resources. Our staff level has been permitted to decline by attrition to a lower level to come into balance with the expected workload and now that we are achieving this balance, we expect a substantial productivity increase.

Outlook for Fiscal Year 1988

If the level of workload estimated for 1988 is reached, the Office of the General Counsel will face a considerable challenge in handling that workload. While critically important elements of our casehandling, e.g. the settlement rate, are not totally within our control, I am confident that, with the dedication and hard work of our employees and with the thoughtful direction of our managers and supervisors, we can meet our goals.

The Fiscal Year 1988 Agency employment request is expected to be sufficient to process all of the cases that are estimated to be filed.

CONCLUSION

The National Labor Relations Act has just completed its 51st year. From the foregoing review of the performance of the Office of the General Counsel it is clear that we begin our second half century with a healthy, productive and committed organization. I am very proud to be associated with the traditions that have made the headquarters and field operations of the Office of the General Counsel such a fine example of effective public service.

I would like to thank the Committee for the opportunity to appear before it and for the support you have shown to us over the years.

HIGHLIGHTS

Mr. Dotson. To my left is our Comptroller, Lee Vincent, and to his left is our General Counsel, Rosemary Collyer.

As you know, Mr. Chairman, most of our funds are dedicated to activities supervised by the Board's general counsel. The general counsel would like to summarize her statement briefly.

Ms. Collyer. Mr. Chairman, thank you very much for the opportunity to appear before this subcommittee to speak to the fiscal 1988 budget for the National Labor Relations Board. We are asking for budget appropriations of $141,580,000 for fiscal 1988 which is an increase of $9,333,000 over our 1987 appropriations. The 1988 request will support all of the agency's case handling operations and allow us to continue the tradition of timely handling the unfair labor practice charges and petitions for election that are filed before the agency and processing them through the case handling pipeline.

The increase is dedicated almost entirely to changes in payroll, as mandated by the pay increases passed by the Congress as well as the new Federal Employee Retirement System Program.

Thank you very much. I will not take any more of your time given the hour of the day, but I stand ready to answer questions.

PRODUCTIVITY IMPROVEMENTS

Senator Chiles. Thank you, ma'am. I understand you have simultaneously asked for a reduction in the full-time equivalence, but you are anticipating an increase in the caseload. How are we going to have a greater caseload handled by fewer people? We are not complaining about that if it can be done. That is kind of like perpetual motion.

Ms. Collyer. The reason behind that, Mr. Chairman, is that over the last number of years our caseload has declined somewhat. We have been able to bring the staffing into a level with the caseload through attrition and not through any other means of adjustment. Now that we are in a more equal or level status we are able to presume productivity improvements that will allow us to meet the agency's traditional productivity spectrum so that we can perform the work that needs to be done with the staffing that is requested.

BACKLOG REDUCTION

Senator Chiles. We know, Mr. Dotson, that your term is going to expire December 16, 1987. There has been a great deal of turnover in the Board, and we are told that is one of the reasons that you have a significant backlog of cases to be handled by the Board. What has been done over the last year to reduce this backlog?

Mr. Dotson. The backlog has been coming down for the past 3 years. It went down about another 13 percent last year. It is now down by almost 50 percent from its all-time high and I believe it is now below the level of 1981, but what we have done to accomplish that has been simply to make decisions first in the so-called lead case areas or major areas that were causing backlogs in cases involving the same issues, aside from that, simply get the cases decided.

PRESIDENTIAL NOMINATION

Senator CHILES. Do you think that the White House will have a nomination up for us in time that the Board will be able to have its full complement of members or will we go through a period when we will operate with a four-man Board again?

Mr. DOTSON. I simply do not know the answer to that question. Clearly the backlog problem has been partly the result of vacancies. That is not the only aspect of backlog. As you know, the Board's jurisdiction has been increased, including the Post Office Department and other things. It has been affected by the effect of inflation of our statutory jurisdictional standard. I think those things need to be looked at. Certainly the Board cannot do the job it should do unless vacancies are filled promptly with people who are able to be productive.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. Thank you. We will have some other questions and we will submit those for the record to you.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

NLRB DECISIONS

Question. Please briefly explain what new decisions have been reached by the National Labor Relations Board and what effect these decisions may have on your caseload in 1988.

Answer. Attached is a list of major NLRB decisions which were issued over the past year. Since none of these decisions involve the declination of jurisdiction, there is no apparent impact on the Board's caseload in 1986.

LOAN OF ADMINISTRATIVE LAW JUDGES

Question. Are there any Administrative Law Judges (ALJs) currently on loan by the NLRB to other agencies? What agencies and what functions do they perform for these agencies?

Answer. The National Labor Relations Board has 19 judges currently on loan to other agencies. Fifteen of them are handling "black lung" cases for the Department of Labor, performing the same functions as DOL ALJs. The other four are handling a variety of cases for the Department of Education, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, and the Treasury Department. None of those agencies has its own judges, and the NLRB judges perform the normal functions of ALJs while on loan.

Question. Are there any judges on your staff who are being underutilized?

Answer. Our present ALJ complement is 94, down from a high of 117 six years ago. None of our judges is underutilized, particularly in the light of the loan program. The recent loan of the 15 judges to DOL, in fact, will increase the workloads of the remaining judges slightly bringing their estimated workload up to historical levels. Once the short-term loan programs are completed, we will re-evaluate our ALJ staffing needs in light of current case load.

Question. Do you anticipate that you will need to bring any or all of these judges back onto the caseload at NLRB?

Answer. We anticipate that for the time being the present ALJ complement will be able to absorb the present workload without the necessity of bringing back the judges now on loan to other agencies. It is our expectation that if there is a gradual increase in the intake of new cases the NLRB will begin to re-absorb the time of the loaned judges. A sharp increase in the case intake might require bringing some judges back to full-time NLRB work sooner.

CASE BACKLOG

Question. How may cases are currently awaiting decisions by the Board?

Answer. As of 1 April 1987 there were 892 cases (759 "C" cases, 133 "R" cases) pending before the Board. This compares with the highwater mark of 1647 (1296 "C" and 351 "R") in February 1984.

1987 SUPPLEMENTAL REQUEST

Question. Does this figure represent the entire increase in costs for these two areas or has part of these costs been absorbed in the current 1987 appropriation?

Answer. The $2,287,000 supplemental request is made up of $628,000 for pay raises and $1,659,000 for retirement benefit costs. The amount for retirement costs represents the entire amount projected by the Agency. The amount of $628,000 for pay increases only represent part of the projected cost. The Agency will absorb about 75% of the January pay raise in our 1987 funding.

INITIAL REQUEST TO OMB

Question. What was your original request of OMB and what part of that request was disallowed?

Answer. Our 1 September request was for $134,687,000 and 2,370 staff years of employment. The staffing figure was slightly reduced to 2,343 in the appropriation request before the Congress. The funding allowance was reduced to $132,253,000. This amount will be fully adequate to handle our expected FY 1988 workload.

The amount of $141,580,000 before the Congress also includes, of course, the added costs of the new Federal Employees Retirement System and the recent pay increase which were not included in our 1 September request.

RENTAL COSTS

Question. Even though GSA intends to raise the rental costs for your office space, your rent, communications and utilities budget line shows a reduction of 22 percent, a cut of over $1.1 million. Please explain this reduction.

Answer. The principle reason for the decrease is that in FY 1987 the Agency was required to purchase the telephones used in our regional offices which were previously rented. As a result this eliminated a substantial recurring cost from this category of expense.

Also we expect our costs for leased telephone lines to go down with the type of phone systems we are planning to install. We have reduced use of commercial long distance and will make even more use of the less costly FTS system instead.

INSURANCE CLAIMS

Question. Your budget also anticipates a reduction of over 50 percent in insurance claims and indemnities. Please explain this reduction.

Answer. This object class includes Tort Claims, lost court case judgements, and Equal Access to Justice Awards (EAJA). The Agency traditionally budgets $65,000 for Tort Claims and lost court cases, but we do not budget for EAJA claims because we do not expect such claims to occur. Based upon rulings in FY 1986, the agency faces the potential of paying several large claims in FY 1987. The amount appropriated for 1987 would cover that possibility. We have no reason to believe that the 1986 and 1987 level is a trend that would extend into FY 1988.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

BIENNIAL BUDGET CYCLE

Question. Would your department/agency favor a biennial budget process?

Answer. The Administration is studying the subject of multi-year budgeting and whether to propose biennial budgeting for appropriations for accounts other than those in the national defense area.

Biennial budgeting would appear to have substantial advantages for a number of agencies. With respect to our own agency we believe there would be both benefits and drawbacks, the latter arising from the fact that little, if any, of our workload is controllable. Therefore, an agency of this type has very little flexibility for making fiscal adjustments to meet changes in workload or costs arising in the course of a two-year appropriation cycle.

Question. What benefits would your agency achieve in a two-year appropriation cycle?

Answer. A two-year cycle could allow us to more effectively coordinate new hiring in relation to changes in our workload. Negotiations and the competitive bidding process associated with annual service contracts can be burdensome to smaller agencies. Having two-year budget authority, therefore, could facilitate better contract administration. Also, the possibility of allowing the successful bidder to have two years' assurance of work orders could facilitate a lower overall price.

Finally, a two year budget cycle would be much more compatible with the often lengthy planning requirements associated with the purchase of capital equipment that is needed for productivity improvements.

Question. Approximately what proportion of your annual appropriations request would you consider simply repetitious of the previous year's submission?

Answer. In most years essentially all of our appropriation submission would be repetitions in the sense that we do not ordinarily add new programs or organizations from one year to the next. Ours is simply an appropriation for salaries and expenses for handling cases filed with us by the public. We do not control our case intake and thus, the forecasting of intake and productivity improvements from one year to the next is the key factor in the development of our appropriation request.

The request, of course, also reflects predictions of future cost trends. To the extent these predictions prove wrong, the effects would be compounded over the two years.

Aside from this forecasting, the major changes we might experience would be related to special initiatives such as upgrading our office automation or other support items.

Question. What difficulties can you foresee in preparing and submitting a two-year budget to the Congress?

Answer. Case intake forecasting would be the major difficulty in preparing and submitting a two-year budget. Even under the present one-year cycle where we estimate caseload a year in advance there is inherent uncertainty that we will receive the number of cases we estimated. Under a two-year budget this uncertainty, growing out of the fact that we cannot directly control our intake and workload, would be exacerbated.

We see no other problems in two-year budgeting other than those that would affect all agencies, such as changes in salary rates, travel reimbursements, GSA space rent, postage and communications charges, and other costs of contracts and supplies.

It seems, therefore, that the success of two-year budgeting depends to a good measure on an accurate prediction of future trends in those costs we cannot avoid.

Attachment

Important Cases 1986

1. Keokuk Area Hospital
   Case 33-RC-2623
   278 NLRB No. 33 (issued 1/27/86)

   In this case the Board held that a separate unit of RN's is inappropriate and that an all-professional unit including RN's is the smallest appropriate unit.

2. Hydro-Conduit Corp.
   Case 28-CA-6860
   278 NLRB No. 164 (issued 3/25/86)

   In this case the Board held that a union's failure to request review of the Regional Director's determination that an RM petition was supported by "objective considerations" does not preclude litigation in an unfair labor practice proceeding of whether the employer showed sufficient "objective considerations" on which to base a reasonable doubt of majority support for the union.

3. Hoschton Garment Co., a Subsidiary of Spencer Industries, Inc.
   Cases 10-CA-18618; 18741
   279 NLRB No. 81 (issued 4/28/86)

   In this case the Board held that an employer does not engage in unlawful surveillance by the observation of open, public union activity in or near its property.

4. Metropolitan Edison Co.
Case 4-CA-12309; 13068
279 NLRB No. 47 (issued 4/28/86)

In this case the Board held that assuming arguendo that picket line violence and threats of such violence may constitute "abnormally dangerous conditions" under Section 502 of the Act, the test for determining if conditions are abnormally dangerous is an objective one and the state of mind of employees invoking Section 502's protection is not controlling.

5. United Rubber, Cork, Linoleum and Plastics Workers of America, Local 250, AFL-CIO (Mack-Wayne Closures)
(Mack-Wayne Closures)
Case 22-CB-4927
279 NLRB No. 165 (5/23/86)

In this case a majority of a panel of Board Members held that a make-whole remedy is appropriate in a duty of fair representation case not withstanding that the merits of an employee's grievance are uncertain.

6. Long Stretch Youth Home, Inc.
Case 5-RC-12013
280 NLRB No. 79 (issued 6/30/86)

Res-Car
Case 25-RC-7917
280 NLRB No. 78 (issued 6/30/86)

These cases reaffirmed the abandonment of the "internal connection" test for determining whether to assert jurisdiction over an employer with close ties to an exempt government entity.

7. Harter Equipment
22-CA-11527
280 NLRB No. 71 (6/30/86)

In this case the Board held that an employer does not violate the Act by hiring temporary replacements after lawfully locking out permanent employees for the sole purpose of bringing economic pressure to bear in support of a legitimate bargaining proposition.

8. Gibbs & Cox, Inc.
2-CA-17515
280 NLRB No. 110 (6/24/86)

A majority of the Board found that under the Board's "merger doctrine" the parties had agreed to merge separate voluntarily recognized units in one overall bargaining unit and that the expressed disgruntlement of 18 employees in a bargaining unit of 217 provided the employer with insufficient objective considerations for doubting the union's continuing majority status.

9. Resistance Technology, Inc.
18-CA-7702
280 NLRB No. 117 (6/24/86)

In this case the Board held that an employer does not violate the Act when its instructions to a supervisor to violate the Act were neither carried out nor disclosed to the employees.

10. Central Soya
17-CA-10007
281 NLRB No. 173 (10/21/86)

In this case the Board held that the employer violated Section 8(a)(5) of the Act by withdrawing recognition from the union where the employer had consolidated and relocated its operations.

11. Trustees of St. Joseph´s College
1-RC-17262
282 NLRB No. 9 (11/5/86)

In this case the Board held that the Supreme Court´s holding in NLRB v. Catholic Bishop of Chicago is not limited to parochial elementary and secondary schools but rather applies to all schools regardless of the level of education provided.

12. John Deklewa & Sons, Inc.
Case 6-CA-16819
282 NLRB No. 184 (issued 2/20/87)

In a decision interpreting Section 8(f) of the Act, the Board held that an employer in the construction industry cannot unilaterally repudiate a prehire agreement and withdraw recognition from the Union prior to expiration of the prehire agreement without violating Section 8(a)(5) of the Act.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

STATEMENT OF E. ROSS BUCKLEY, CHAIRMAN

PREPARED STATEMENT

Senator CHILES. Now going to the Occupational Safety and Health Review Commission, we are pleased to have Mr. E. Ross Buckley, the Chairman of the Occupational Health and Safety Review Commission. The committee is well acquainted with the Commission's responsibility to adjudicate appeals and rulings by the Occupational Health and Safety and Health Administration brought by either employers or employees. The Commission is to be commended for taking steps over recent years to streamlining its operation, reduce its cost to the Federal Government while substantially enhancing the efficiency with which it handles its caseload.

We have your budget request of $6,232,000, $482,000 more than the 1987 request, about equal to the 1985 request. Mr. Buckley, your entire statement will be included in the record and if you would briefly present the highlights of you testimony before us.

[The statement follows:]

STATEMENT OF E. ROSS BUCKLEY

Mr. Chairman, again it is a privilege and an honor to appear before you to present for your consideration the fiscal year 1988 appropriation request in the amount of $6,232,000 for the Occupational Safety and Health Review Commission. This request represents an increase of $482,000 and the same level of staffing from the resource levels approved by the Congress for fiscal year 1987. The increase in amount is attributable almost entirely to increases in personnel compensation and benefits, and in rental payments to GSA.

During fiscal year 1986, the Commission docketed 1,674 new cases. Beginning that year with a case inventory of 651 cases, its administrative law judges disposed of 1,518 cases, ending the year with an inventory of 807 cases. We estimate 1,670 cases to be docketed in fiscal year 1987, and that our corps of judges will dispose of 1,625, and that we will commence fiscal year 1988 with a case inventory of 852 cases. During fiscal year 1988, we estimate receiving 1,800 new cases, and the disposition of 1,730 cases, with a case inventory at the end of fiscal year 1988 of 922 cases.

The numbers set forth above are based on the Commission's experience over the years of its existence since 1971, and because they are realistic, they are set forth in our workload projections. However, I am sanguine enough to believe that changes which the Commission has made in its rules of procedure may result in greater productivity in fiscal years 1987 and 1988. Specifically, a new requirement that the Secretary set out in a more particularized manner in his complaint the basis for the alleged safety or health violations, and the requirement that employers respond to each particularized allegation, will, in my estimation, result in a larger number of dispositions of cases by settlement prior to their assignment to the administrative law judges, and will result in a narrowing of the issures and a concomitant shortening of the timespan from assignment to final disposition in those cases which are assigned.

Another innovative rule which we have adopted is a rule permitting the designation of a settlement judge who will be authorized to actively participate in negotiations aimed at settlement. Where settlement is not forthcoming, the case would be reassigned to a different judge. Again, it is my belief that this new procedure will result in an increase in the number of settlements.

In these and other ways it is my hope and expectation that we can begin to increase the efficiency and productivity of the Commission at the administrative hearing level, and to reduce the end-of-year case inventory.

During fiscal years 1985 and 1986, we completed a reorganization of much of the national office: the Office of General Counsel and Office of Administrative Services were reorganized; all operational functions of the Commission were consolidated on one floor; a workable computerized case tracking system was placed into operation in the Office of the Executive Secretary, with high speed terminals in the regional offices and the Office of the Chief Judge; Westlaw (computerized legal search) was expanded to all regional offices; and the number of attorneys in the three commissioners' offices were reduced by one-third. In addition, the seven regional offices were consolidated into four, and the Commission completed a comprehensive revision of its general rules of procedure following extensive study by a special committee composed of administrative law judges and staff attorneys, and notice and comment.

In fiscal years 1987 and 1988, we propose to focus on improving the productivity of the administrative hearing process, as summarized above.

At the review level we are continuing to reduce the backlog of cases. In fiscal year 1986, we commenced with a backlog of 96 cases which had been directed for review. Forty-five new cases were directed, 76 decisions were issued, leaving a backlog of 65 cases. In fiscal year 1987 we estimate direction of 55 cases, a disposition of 70 cases, and an end-of-year backlog, to commence fiscal year 1988, of 50 cases. We estimate 64 cases to be directed in fiscal year 1988, 85 cases to be decided, and an end-of-year inventory of 29 cases, all of which will be current, that is, 4 to 6 months old, measuring from date of direction for review.

I believe that the Commission has had a very productive course of the last 2 years, and that its productivity will continue. I believe that our appropriation request will permit us the flexibility which we will need to accomplish our goals for fiscal year 1988.

This concludes my statement. With me today are members of my staff to answer any questions you may have.

CALIFORNIA OSHA PLAN

Mr. BUCKLEY. Thank you, Mr. Chairman. It is certainly a pleasure to be here before you, sir, for our budget for fiscal year 1988. I think most of those matters which I would consider worthy of highlighting are contained within my statement. I would, instead of going over it again, merely say that I am ready to answer any questions that you might have.

Senator CHILES. We thank you for that. As I understand it, the Governor of California has recently proposed to terminate the State's plan for occupational safety and health and allow the Occupational Safety and Health Administration to assume all inspections and case work within the State. If that proposal goes through, will that add to your caseload and cost in 1988, and might this charge require you to open a regional office in California? Do you know any other States that if this happens will be following suit to allow you to assume all the oversight role for occupational safety and health, and what might those additional costs be?

Mr. BUCKLEY. Senator Chiles, it is difficult to say at this point exactly what would happen. I think that it would be necessary for OSHA to move in first with new inspections and it would probably be late in 1988 before there would be any effect at the adjudicative review commission level for that reason. There would be the necessity of giving some indoctrination to employers in differences in the standards of CALOSHA as opposed to the Federal OSHA program. It would be necessary to train a number of inspectors in those differences, and as a result the lapse of time between that training, the inspection, the citation would put us probably into the middle of 1988 or late fiscal year 1988 before there would be any real effect on the Commission.

I would assume that for those few cases that might come before us during that time, that we would be able to handle it out of existing budget and our existing regional offices.

Senator CHILES. So the impact of that is further down the road.

Mr. BUCKLEY. I would suspect so, yes.

COMMISSION MEMBERS

Senator CHILES. How will the Commission be able to function after April 27 if you—the White House does not send a nomination up? You cannot operate without a quorum, can you?

Mr. BUCKLEY. Not at the review level, Senator Chiles. This happened once before in 1985 when I sat there sort of like the Maytag repairman without any fellow commissioners——

Senator CHILES. That would add a backlog pretty quickly; would it not?

Mr. BUCKLEY. Well, not necessarily. The administrative law judges can continue to operate. Cases can continue to be sent to them.

Senator CHILES. You cannot review them.

Mr. BUCKLEY. We cannot review them. We can direct—I would be able to direct them for review but I would not be able to take any action on them.

Senator CHILES. Do you think the White House will understand that this—what will be the results of this if they do not move. You have got one vacancy now and you will have two then.

Mr. BUCKLEY. Well as I understand it, one name has been submitted to the Senate for confirmation. The other one I do not know anything about, but I would anticipate that probably by another 2 or 3 months there will be two nominations before the Senate.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. Well, we hope that there will. We have some other questions. We will submit those for the record. We thank you for your testimony today.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

STATE PLANS

Questions:

Mr. Buckley, I understand that Governor Deukmejian of California has recently proposed to terminate the State's Plan for Occupational Safety and Health and allow the Occupational Safety and Health Administration to assume all inspections and casework within the State.

If the Proposal goes through, will this add to your caseload and costs in FY 1988?

Might this change require you to open a Regional Office in California?

Do you know of other States that are considering allowing the U.S. Occupational Safety and Health Administration to assume its oversight role for Occupational Safety and Health?

Might these changes result in additional costs to the Review Commission in FY 1988?

Answers:

The potential for some impact of a termination of the state program exists. However, any impact for fiscal year 1988 would not be unmanageable with our present staffing and agency structure. It should be noted that the Commission's judges now handle some cases in California that arise in areas of exclusive federal jurisdiction. These are managed with little or no difficulty from our Denver and Dallas offices.

The California State OSHA program is the largest of the state programs that have been created under the Occupational Safety and Health Act. It employs about 200 job safety and health inspectors. During calendar year 1985, the State made 18,694 inspections. This is roughly 30 percent of the total number of Federal inspections for fiscal year 1986 - 64,071 inspections. We understand the rate of contested cases by employers arising from these inspections before the appropriate state quasi-judicial agency is roughly 2.5 percent.

There is, however, uncertainty as to the degree of potential federal enforcement activity. The Department of Labor's Task Force on the problems of transition has not completed its work. But it is assumed that some time allowed for transition between the State program and Federal resumption would militate against any major impact before the end of the fiscal year 1988. Moreover, in whatever major cases that might be filed, normal discovery and other trial preparation would likely delay any extensive hearing activity until late in FY 1988 but more probably to FY 1989.

The changes might require a Regional Office to be open in California. But again if this comes to pass, it seems more likely to be in 1989 than 1988. By then, with the benefit of concrete knowledge of federal enforcement levels in FY 1988, this agency would be in a better position to address not only the questions that have been posed, but also the related questions of, if an office is to be opened, how large should it be and where should it be located.

We have no knowledge of any other states that are considering allowing the U.S. Occupational Safety and Health Administration to assume its oversight role for Occupational Safety and Health.

Nothing significant by way of additional costs are foreseen for FY 1988, although there could be some marginal increases in travel, telephone, and court reporting costs that would not seem to require any revision of the budget estimates.

COMMISSIONERS

Questions:

Mr. Buckley, I understand that you are currently functioning with two Commissioners rather than the usual three. On April 27, the term of one Commissioner will expire, thus leaving the Commission without a quorum.

When do you expect the White House to send up nominations for the Commission?

How will the Commission function if a new appointment is not confirmed by April 27th?

Is it your belief that the White House fully understands that the Commission cannot execute all of its responsibilities without at least two Commissioners?

Answers

A nomination to fill the present vacancy on the Commission was sent to the Senate on February 18, 1987. It is my understanding that the White House has under consideration a proposed nomination to the vacancy which will occur on April 27, 1987.

The Commission will be able to function at the ALJ hearing level. Cases will continue to be processed at that level, and decisions rendered by our Administrative Law Judges. As the OSH Act authorizes the Commission to direct cases for review by the Commission on the direction of only one Commissioner, this function will also continue. However, because of the lack of a quorum, the Commission will be unable to perform the review function, or to dispose of cases remanded by the U. S. Courts of Appeals. Administratively, the Commission will be able to function fully inasmuch as the OSH Act vests all administrative functions in the Chairman.

The office of White House Personnel is fully cognizant of the quorum requirement of the OSH Act.

SETTLEMENT JUDGE

Question:

Mr. Buckley, how much of an increase in the number of cases reaching settlement do you anticipate will result from the designation of a "Settlement Judge"?

What savings do you expect to result from this change?

The Commission's new rule prescribing a settlement judge procedure is experimental. It is expected to increase in some degree the settlement rate. Therefore, some savings in adjudication costs may be expected. But whether a particular case would have otherwise been settled is speculative. Therefore, the measure of net savings remains uncertain.

CONTEST RATE

Question:

Has there been any change in the Contest Rate in FY 1987?

Answer:

The Contest Rate for FY 1987 has not changed very much from the Contest Rate for FY 1986. In the first one-half of FY 1987 the Executive Secretary's Office received 808 cases. As compared to OSHA's estimate of 63,000 inspections for all of FY 1987, this is a Contest Rate of 2.6%. The Contest Rate for FY 1986 was 2.7%.

MAJOR DECISIONS

Question:

Please summarize the major decisions reached by the Commission over the last year.

Answer:

In William Enterprises of Georgia, Inc., (a case within the Eleventh Circuit) the Commission reaffirmed its holding in Adams Steel Erection, which had been reversed by the Court of Appeals for the Third Circuit, that the steel erection standards in 29 C.F.R. Part 1926, Subpart R, are the exclusive regulations governing steel erection, and the other standards in Part 926 do not apply to that activity.

In Dun Par Engineered Form Co., the Commission changed its "impossibility" defense to require only that an employer show that it was infeasible to comply with the literal requirements of the standard.

In L.E. Myers Co., the Commission held that OSHA's amendment of 29 C.F.R. §1926.28(a) was invalid because OSHA did not follow formal rulemaking procedures; therefore the original version remains in effect.

In Bunge Corp., the Commission held that OSHA's standard governing employee exposure to mineral dust, 29 C.F.R. §1910.1000, does not cover exposure to grain dust.

In Amax Lead Co., the Commission held that the medical removal provisions of OSHA's lead standard, 29 C.F.R. §1910.1025, guarantee an employee only his base pay, not lost overtime, bonuses, or other preminums.

UNION CARBIDE

Question:

What was the result of Union Carbide's effort to appeal the safety violations cited at its Institute, West Virginia plant?

Answer:

No. 86-509, one of several cases involving Union Carbide, concerns its Institute, West Virginia plant. At issue are 131 willful violations, 138 serious violations, and 73 additional violations. Proposed penalties in the vicinity of one million three hundred thousand dollars have been proposed. Following denial of some motions for summary judgment and some unsuccessful settlement efforts, the case is now in extensive discovery. It is expected to be ready for hearing in the fall of 1987.

PERSONNEL COMPENSATION/RENTAL PAYMENTS

Question:

Mr. Buckley, please briefly explain the reasons behind the increase in your personnel compensation and rental payments budget lines.

Answer:

The cost increases estimates for personnel compensation and rental payments are based upon the following:

A. The personnel cost increase is required to provide for costs associated with the Federal Employees Retirement System and to provide for a full year's funding of the January 1987 pay increase. The Commission has not requested additional positions.

B. The increases in rental costs is required to provide for increased office space costs as required by the General Services Administration. There has not been any increase in the amount of space occupied by the Commissions' offices.

QUESTION SUBMITTED BY SENATOR PETE V. DOMENICI

BIENNIAL BUDGET CYCLE

Questions:

Calls for budget reform are increasingly heard as budget deadlines are to often missed, important budget decisions are delayed, appropriation bills and other direct spending legislation are held up in committee, and omnibus spending bills take the place of timely and orderly consideration of individual bills. One procedural reform that is being considered is the two-year budget cycle where budget and appropriations matters would be considered in the first year, and authorizations and oversight would be undertaken in the second year.

1. Would your department/agency favor a biennial budget process? What benefits would your agency achieve in a two-year appropriation cycle?
2. Approximately what proportion of your annual appropriation request would you consider simply repetitious of the previous year's submission?
3. What difficulties can you foresee in preparing and submitting a two-year budget to the Congress?
4. If you oppose the biennial budget concept, please give this subcommittee your reasons why.

Background

On January 29, 1987, Senators Roth, Domenici, and others introduced S. 416, the Federal Budget Reform Act of 1987, that would institute a two-year federal budget cycle. The bill has been jointly referred to the Senate Committee on the Budget and on Governmental Affairs.

Answers:

It is not anticipated that the Commission's annual budget process would be affected much should the budget process become a two-year appropriation cycle. This assumption is based primarily upon the fact that the Commission is a singular program agency and has not incurred significant program increases in either caseload volume or subject responsibility during the past few years.

Approximately 75% of the Commission's annual appropriation request is repetitious from year to year.

The Commission should not experience any major difficulty in preparing and submitting a two-year budget request based upon present caseload levels and program responsibility.

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

STATEMENT OF FORD B. FORD, CHAIRMAN

PREPARED STATEMENT

Senator CHILES. Our next witness will be Mr. Ford, Chairman of the Federal Mine Safety and Health Review Commission. Your entire statement will be included in the record, and please briefly highlight your testimony.

[The statement follows:]

STATEMENT OF FORD B. FORD

It is a pleasure to appear before you and the committee again and to answer questions about the Federal Mine Safety and Health Review Commission and its fiscal year 1988 budget request totaling $4,139,000.

Although the request includes a $354,000 increase over the 1987 budget level, it represents a steady-state budget that contemplates full funding for 61 positions; 1 less than was authorized last year.

I believe that this budget level will permit us to expeditiously carry out our statutory mandate as set forth in the Federal Mine Safety and Health Amendments Act of 1977 which is to provide administrative trial and appellate review of the Department of Labor's Mine Safety and Health Enforcement Program.

The Federal Mine Safety and Health Review Commission exists to objectively and neutrally adjudicate legal disputes arising under the Mine Act among or between mine operators, the Department of Labor, and miners.

The five-member Commission provides administrative appellate review. Its functions include reviewing all administrative law judge decisions, ruling on petitions for discretionary review, directing review *sua sponte* for cases that may be contrary to law or policy or that may present novel questions of policy, and issuing decisions that affirm, modify or vacate administrative law judge decisions directed for review. If not considered for formal review, these administrative law judge decisions become a final nonprecedential order of the Commission. Appeals from final decisions of the Commission are to the U.S. Courts of Appeals.

In the activity of administrative law judge determinations during fiscal year 1988, we expect to receive 1,941 new cases and dispositions are expected to total 1,900, leaving a case inventory at the end of the year of 1,249. In fiscal year 1987, we anticipate the number of administrative law judge cases to total 1,824 and expect dispositions to total 1,795, leaving a case inventory of 1,208 at the end of the year.

During fiscal year 1986, 1,743 new cases were received and 1,811 cases were decided. Of these, 650 were disposed of prior to hearing by settlement approved by the administrative law judges, 898 were disposed of on motion or by stipulated record, and 263 were fully tried prior to decision. At the close of the year the pending caseload before the judges was 1,179.

At the Commission review level for fiscal year 1988 we expect to receive 67 new cases for formal review and to dispose of 70 cases, leaving an ending inventory of 22. In addition, the Commission will continue review of administrative law judge decisions. We anticipate 66 new cases for fiscal year 1987 with a disposition of 65 cases.

In fiscal year 1986 the Commission achieved substantial gains while issuing 43 substantive decisions and denying 16 petitions on review for a total case disposition of 59. As of September 30, 1986, the average period of time from receipt of the cases pending on the Commission's docket was 4.3 months—a 67-percent reduction from the 13.2-month average that existed at the beginning of fiscal year 1986.

Oral arguments continue to be an important part of the Commission's decision process as issues become more complex and new areas of law explored. Six oral arguments have already been held in fiscal year 1987. The Commission also attempts to hold as many meetings as possible in open session and of the 28 meetings held in fiscal year 1986, 12 were open, 8 were closed, and 8 were partially open.

In summary, based on the enforcement actions of the Department of Labor's Mine Safety and Health Administration we have seen a continuing increase in the Commission's workload at both the trial and review levels.

Our requested increase of $354,000 for fiscal year 1988 is allocated to three major expenditure categories: $107,000 for the increased square footage cost of the GSA space which we occupy; $180,000 for the additional costs of the Federal Employees Retirement System; and a net increase of $67,000 to fully fund the Commission's 61 FTE staff request.

This budget request will enable us to continue our efforts to provide timely, efficient and neutral adjudication of disputes under the Mine Act.

Thank you for the opportunity to present this statement. I would be pleased to respond to questions from you and members of the committee.

BUDGET REQUEST

Mr. FORD. Yes; I will be very brief. I appreciate this opportunity to submit the Federal Mine Safety and Health Review Commission budget at $4,139,000 for fiscal year 1988, $354,000 more than the current fiscal year. This budget will fund 61 positions, 1 less than the current fiscal year.

The $354,000 is primarily for three categories: $107,000, representing a rental charge increase for the same amount of square footage; $180,000 for the Federal Employees Retirement System; and $67,000 to fully fund the 61 positions requested to be authorized. We anticipate an increase in workload due to various increases and emphasis on mandated inspections by the Department of Labor's Mine Safety and Health Administration. Also, new regulations are anticipated in 1987 and 1988.

MSHA RULES

Senator CHILES. What effect are those new rules going to have on your caseload?

Mr. FORD. We anticipate there will be a number that will prompt the operators and perhaps the unions to test the interpretation. There are two that a considerable amount of attention has been given to—the pattern of violations issue and the mine plan approval issue. Both are extremely sensitive issues that, should they come forward, we anticipate will create a number of questions and tests of the policy and how it is being enforced.

In addition there are another 10 to 12 new regulations in explosives and other areas that are scheduled to be enacted.

TRAVEL

Senator CHILES. I understand that your administrative law judges do a great deal of traveling in order to limit the inconvenience to miners and mine operators in bringing their complaints. When you are anticipating an increase in your caseload, how can you cut your travel by 10 percent?

Mr. FORD. We feel our travel budget is sufficient to take care of the anticipated workload. By scheduling hearings in a more concentrated manner, such as holding a number of cases by administrative law judges in regional locations, we will not have unnecessary travel for single cases.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. Mr. Ford, we have several additional questions that we will ask you for the record, and we thank you for your appearance today.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

NEW MSHA RULES

QUESTION: Please briefly explain what new rules have been promulgated at the Mine Safety and Health Administration (MSHA) and what effect these rules may have on your caseload.

ANSWER: According to the FY 1988 Budget Justification of the Federal Mine Safety and Health Administration, MSHA proposes to publish nine final rules in FY 1987 and ten final rules in FY 1988.

In 1987 standards affecting the metal and nonmetal industry in the areas of ground control, gassy mines, machinery and equipment, and load, haul, dump will be implemented. Standards affecting the coal industry will be in the areas of roof control and use of explosives and blasting. New standards in the approval and certification area are also expected.

In FY 1988, MSHA specifically identifies new standards in explosives for metal and nonmetal mines and ventilation and underground electrical standards in coal mines, as well as standards for pattern of violations and mine plan approvals.

Historically, when new standards are implemented, and citations are issued for non-compliance, affected parties seek independent higher levels of review. As a result, we believe that additional petitions will be made to the Commission's administrative law judges and to the Commissioners for independent review of enforcement actions until such time as a sufficient body of interpretive law has been established.

TRAVEL AND TRANSPORTATION BUDGET

QUESTION: I understand that your administraive law judges do a great deal of traveling in order to limit the inconvenience to miners and mine operators who are bringing a complaint. Why then are you requesting a ten percent decrease in your travel budget when you are anticipating an increase in your caseload?

ANSWER: We feel our travel budget is sufficient to take care of the anticipated workload. By scheduling hearings in a more concentrated manner, such as holding a number of cases by administrative law judges in regional locations, we will not have unnecessary travel for single cases.

DISPOSITION OF CASES

QUESTION: Please explain any changes that have occurred over the last year with the Commission's ability to dispense with its caseload.

ANSWER: The Commission did not make any major substantive changes that affected its ability to dispense with its workload. There are, however, a number of other factors that merit consideration. These include: the filling of two vacant Commission positions resulting in five Commissioners sitting most of the year; filling other key vacancies including one administrative law judge position; increased emphasis on case management; concerted Commission-wide effort to dispose of old cases, to increase decision timeliness; and more closely following rules of procedure in disposing of cases where petitioners default cases.

These continued actions overall resulted in higher productivity levels in case dispensation.

DOCKET LEVELS

QUESTION: Do you expect the Commission to be able to maintain in 1988 the low docket age level it achieved in 1987?

ANSWER: While we would like to maintain the 4.3 month docket age achieved at the end of fiscal year 1986 we believe that it may be unusually low. Time spans for filing briefs under the Commission's rules of procedure can span from 50 to 130 days with an average time of 84 days from date of receipt of petition until close of the record. These timeframes, coupled with adequate consideration in the decision process, indicate the 4.3 month docket age may be unusually low. It is, however, the intention of the Commission to maintain its case age at the lowest practical level commensurate with fair, effective and objective adjudication of the issues before it.

MAJOR DECISIONS

QUESTION: Please supply a summary of the major decisions reached by the Commission over the last year.

ANSWER: FY 1986 Cases

Dilip K. Paul v. P.B.-K.B.B., issued 11/21/85: setting reasonable limits on the statutory reach of the terms "mine" and "miner." (Affirmed by D.C. Cir.)

Tamsco, Inc., issued 12/4/85: To establish a violation of the metal/nonmetal airborne containment standard, the Secretary must establish prohibited exposure through sampling.

SOCCO, issued 3/4/86: miner may receive "walkaround" compensation for participation in post-inspection conferences. (Affirmed by 6th Cir.)

Minerals Exploration Co., issued 4/1/86: condemnation of excesses in Secretarial prosecution of litigation before Commission.

Consolidated Coal Co., issued 6/20/86: A rebuttable presumption arises that a violation of the mandatory respirable dust standard is "significant and substantial" if the violation is based upon excessive "designated occupation" sampling results.

J & L Steel Corp. and Vesta Mining Co., issued 7/31/86: Preshift examinations must be made of coal conveyor belt entries where miners are assigned duties requiring work or travel.

*United States Steel Mining Co., issued 9/22/86; *United States Steel Mining Co., issued 9/25/86: Similar cases holding that a rebuttable presumption arises that a violation of the mandatory quartz-bearing respirable dust standard is "significant and substantial" if violation is based upon excessive "designated occupation" sampling results.

UMWA Local 1899 v. Westmoreland Coal Co., issued 9/26/86; UMWA Local 1609 v. Greenwich Collieries, issued 9/26/86; UMWA Local 2274 v. Clinchfield Coal Co., issued 9/26/86. Trio of related cases outlining many of the contours of the rights and requirements contained in section 111 of the Mine Act, the miners' compensation cases.

*Designated more important/significant Commission decisions.

FTEs

QUESTION: Please explain your request for an increase in FTEs for FY 1988.

ANSWER: The Commission is requesting full funding of its authorized staff of 61 which would result in six additional FTE of employment. Since FY 1986 the Commission has been gradually increasing its staffing within previously authorized levels consistent with the increasing workload. This has resulted in higher levels of case disposition, reduced caseload inventories, and a more timely decision process. As workload levels continue to grow, additional on board staff is required to maintain and further improve achieved case disposition levels.

PATTERN OF VIOLATIONS

QUESTION: Do you expect that appeals to "Pattern of Violations" citations will add significantly to your caseload and your ability to dispense with cases in a timely manner?

ANSWER: The "pattern of violations" issue is a controversial and highly sensitive issue in the mining industry having far reaching impact. As a result, we believe that citations under this standard will be extensively tested in the legal arena. We believe that cases involving pattern of violations will more likely reach the Commission late in FY 1988 and will most likely become a major workload issue for FY 1989.

Questions Submitted by Senator Pete V. Domenici

BIENNIAL BUDGET

QUESTION: Would your department/agency favor a biennial budget process?

ANSWER: The Federal Mine Safety and Health Review Commission would favor a biennial budget process.

QUESTION: What benefits would your agency achieve in a two-year appropriation cycle?

ANSWER: A two year appropriation would provide two distinct advantages: The first advantage would be stability because the Commission's appropriation level would be established for a two year period thus eliminating potential annual funding interruptions and changes in planned levels (requests versus enactments). The second advantage would be more effective utilization of staff and scheduling of hearings. Currently, the Commission is hesitant to schedule onsite hearings in October due to agency shutdown procedures and funding interruptions.

QUESTION: Approximately what proportion of your annual appropriation request would you consider simply repetitious of the previous year's submission?

ANSWER: Because the Commission was established to adjudicate claims arising under the Federal Mine Safety and Health Amendments Act, our entire annual request could be considered repetitious.

QUESTION: What difficulties can you foresee in preparing and submitting a two-year budget to the Congress?

ANSWER: The Commission's budget, like most agencies, is an administrative budget consisting of salaries and support costs. However, due to the small size of our budget, there is very little flexibility to react to changes, either in workload or economic matters - both workload and economic assumptions must be accurate. Since a biennial budget potentially could include two employee pay increases, a government-wide policy decision must be made concerning funding in advance of implementation or through the supplemental process. In addition for instance, if workload levels substantially increase, will backlogs temporarily be acceptable or will supplemental appropriation action be reconsidered? Issues such as these must be considered in addition to other adjustments that would result from the change. In the mid-1970s the Federal Government changed its fiscal year close from June 30 to September 30. Experience learned during that transition year could be invaluable should a transition be made to a biennial budget cycle. Since we assume that Congress will provide for adjustments which have government-wide impact over the two-year period of the budget, we foresee no difficulty, but rather an advantage in the two year budget cycle.

U.S. SOLDIERS' AND AIRMEN'S HOME

STATEMENT OF LT. GEN. GEORGE H. McKEE, GOVERNOR

PREPARED STATEMENT

Senator CHILES. General McKee.

General McKEE. Thank you.

Senator CHILES. General, we are delighted to have you at the witness table. Certainly we consider you one of our distinguished Lakeland citizens.

General McKEE. That is correct, sir.

Senator CHILES. We are happy to have you here. We know that the Soldiers' and Airmen's Home serves as a residential and special care facility for former warrant officers, enlisted personnel with more than 20 years service, and for veterans with service-related disabilities. I am disappointed to learn the administration has again failed to request funds for the "Capital outlay" account which finances the home's renovation efforts. It should be an embarrassment to the administration that some of our most distinguished veterans are being housed in an antiquated facility and have to endure the heat of Washington summer without air-conditioning.

General, your statement will be included in its entirety and we thank you for highlighting your comments.

[The statement follows:]

STATEMENT OF LT. GEN. GEORGE H. MCKEE

PURPOSE

The purpose of this statement is to furnish information on the Home which may be of interest during the committee's consideration of the Home's fiscal year 1988 appropriation request. Included is pertinent information on the Home: its mission, administration, physical plant, financing, and members. The statement also provides a general description of the fiscal year 1988 appropriation request as compared with the fiscal year 1987.

MISSION

The Home was established by Congress in 1851 for the relief and support of retired, invalid, or disabled soldiers of the Regular Army. Membership is a benefit for former warrant officers and enlisted personnel of the Regular Army and Air Force with the following qualifications: (1) honest and faithful service for twenty years or more as warrant officers or enlisted personnel, or (2) service-connected disabilities rendering them unable to earn a livelihood, or (3) non-service connected disabilities rendering them unable to earn a livelihood, provided they have had service during a war. These criteria are listed in this order not as priorities, but because about 88 percent of the membership is of the first group, and about 12 percent is of the disabilities groups.

ADMINISTRATION

General supervision of the Home was placed by Congress in a Board of Commissioners now composed of the Governor of the Home; The Surgeon General, U. S. Army; Comptroller of the Air Force; Deputy Chief of Staff, Manpower and Personnel, U. S. Air Force; Chief of Engineers, U. S. Army; Commander, U. S. Army Community and Family Support Center; The Judge Advocate General, U. S. Air Force; the Sergeant Major of the Army; and the Chief Master Sergeant of the Air Force. Subject to approval by the Secretary of the Army and the Secretary of the Air Force, the Board has authority to establish regulations for the internal direction of the Home. The law provides for an annual report of inspection of the Home by The Inspector General of the Army to be submitted to Congress.

PHYSICAL PLANT

The Home is situated in northwest Washington, D.C. Facilities include four domiciliary and three hospital buildings, a service area, a heating plant, a laundry, and some minor structures. The domiciliary capacity of the Home is 2,028 beds. Our hospital has a capacity of 385 beds. Throughout the years, the loss of Home lands to other activities has reduced the acreage from about 500 to the present 300. The members of the Home are grateful for the support provided by committees of Congress for retention of the Home's lands against past proposals to further reduce it.

FINANCING

The Act of 1851 provided that the Home be supported from two principal sources: (1) a monthly contribution while on active duty of twenty-five cents from each enlisted member and warrant officer of the Regular Army and later the Air Force, and, (2) fines and forfeitures imposed upon these people by sentence of courts-martial. Public Law 94-454 increased the monthly withholding to fifty cents. Public Law 96-357 amended the Act of 1851 to also include fines and forfeitures imposed upon the aforementioned people under authority of Section 815 of Title 10, U. S. C., commonly referred to as non-judicial punishment. The Act of 1883 established a Permanent Fund in the U. S. Treasury and provided for the payment of interest of 3% per annum on the fund balance. On December 15, 1973, the Act of 1883 was amended so that the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States, would set the interest rate. Under this amendment, the Home is now receiving about 6 percent interest on its fund balance. Public law 94-454, in addition, authorized the collection of a fee from the members of the Home. The Permanent Fund balance on September 30, 1986 was $163 million.

MEMBERSHIP

Our male members range in age from 39 to 100, with an average age of 68. Our female members range in age from 44 to 90, with an average age of 74. There are 72 female members. The average age of the patients in the Health Care

Facility is 72 years. Average total membership during the fiscal year 1986 was 2,069 including 1,946 present.

THE FY 88 BUDGET FOR OPERATION AND MAINTENANCE

The Home's fiscal year 1988 operation and maintenance appropriation allowance is $37,080,000, an amount $1,926,000 more than its fiscal year 1987 budget authority of $35,154,000 which includes $1,583,000 for pay related items and $343,000 for inflation. A detailed description is included in the Home's justification booklet which has been submitted to the committee.

THE FY 88 BUDGET FOR CAPITAL OUTLAY

Capital outlay budget authority was not allowed.

CONCLUSION

The members of the Home appreciate the interest in their welfare that the committee has taken over the years.

BIOGRAPHY OF LT. GEN. GEORGE H. MCKEE

A. Personal Data:
Born: 28 April 1923, Pickens, South Carolina
Married to: Nikki Young
Children: Two
Home Town: Lakeland, Florida

B. Education:
  Military--
    Army Administration School
    Air Tactical School
    Industrial College of Armed Forces
  Civilian--
    University of Omaha - B.A. Degree - Education

C. Major Permanent Duty Assignments:

	From	To
Enlisted -- Instructor, Airplane Mechanics Course, Aircraft Crew Chief, Flight Chief, Quality Control Inspector, Pilot B-17, B-29 Aircraft. Highest enlisted grade, Master Sergeant	1940	1947
Aircraft Commander, Squadron Maintenance Officer, Adjutant, Operations Officer, Commander, 49th Bomb Squadron, Hunter AFB, Ga.	1947	1955
Command Project Officer, SAC Command Control System	1955	1960
Deputy Commander, 3974th Combat Support Group, Zaragoza, Spain	1960	1961
Commander, 3974th Combat Support Group, Zaragoza Air Base, Spain	1961	1963
Deputy Commander for Maintenance, Blytheville AFB, Ark.	1964	1965
Commander, 319th Bomb Wing, Grand Forks AFB, N. D.	1965	1966
Commander, 97th Bomb Wing, Blytheville AFB, Ark.	1966	1967
Commander, 72nd Bomb Wing, Ramey AFB, Puerto Rico	1967	1968
Commander, 19th Air Division, Carswell AFB, Texas	1968	1970

Director, Maintenance & Engineering, Headquarters USAF	1970	1972
Chief of Staff, Strategic Air Command	1972	1973
Commander, Eighth Air Force, Guam	1973	1974
Commander, Air Training Command	1974	1975
Retired from active military service, over 34 years	--	1975
Presidential appointment as Governor, United States Soldiers' and Airmen's Home	1 November	1978

D. Decorations and Service Awards:

Distinguished Service Medal (with 2 Oak Leaf Clusters)
Legion of Merit (with Oak Leaf Cluster)
Distinguished Flying Cross
Air Medal (with 4 Oak Leaf Clusters)
Good Conduct Medal
European/African/Middle Eastern Campaign Medal (with 4 Service Stars)
Vietnam Service Medal (with Silver Star)
Air Force Outstanding Unit Award Ribbon
Legion of Merit from Spain
Outstanding Civilian Service Medal, Department of the Army (1983)

JUSTIFICATION OF ESTIMATES FOR THE U. S. SOLDIERS' AND AIRMEN'S HOME, FY 1988

Operation and maintenance: For operation and maintenance of the United States Soldiers' and Airmen's Home, to be paid from the Soldiers' and Airmen's Home permanent fund, $37,080,000. Provided, That this appropriation shall not be available for the payment of hospitalization of members of the Home in the United States Army Hospitals at rates in excess of those prescribed by the Secretary of the Army upon recommendation of the Board of Commissioners and the Surgeon General of the Army.

24 U.S.C. 41-60; 31 U.S.C. 1321 (a) (59), (81): (Public Laws 99-500 and 99-591, section 101(i), provide funds to the extent and in the manner provided for in the conference version of H. R. 5233; Department of Labor, Health and Human Services, and Education, and Related Agencies Appropriation Act, 1987)

	1986 actual	1987 estimate	1988 estimate
MEMBERSHIP:			
Domiciliary	1,702	1,730	1,730
Hospital	367	370	370
TOTAL	2,069	2,100	2,100
EMPLOYMENT:			
Full-time permanent (POS/FTE)	928	955	960
Other than permanent (FTE)	87	77	77
TOTAL	1,015	1,032	1,037

STANDARD CLASSIFICATION SCHEDULE FOR OBLIGATIONS ($000)

		1986 actual	1987 estimate	1988 estimate	+ or - estimate
Operation and maintenance:					
11	Personnel compensation	20,995	22,235	22,506	271+
12	Personnel benefits	2,814	3,667	4,979	1,312+
13	Benefits for former personnel	85	52	52	0
21	Travel and transportation of persons	9	7	8	1+
22	Transportation of things	0	3	3	0
23	Communications, utilities, and other rent	1,169	1,281	1,328	47+
24	Printing and reproduction	25	26	27	1+
25	Other services	2,304	2,602	2,699	97+
26	Supplies and materials	5,106	5,252	5,442	190+
31	Equipment	734	173	180	7+
32	Lands and structures	42	0	0	0
42	Insurance claims and indemnities	6	0	0	0
	Total obligations	33,289	35,298	37,224	1,926+
	Quarters, subsistence and laundry collections	-115	-144	-144	0
	Budget authority	33,174	35,154[1/]	37,080	1,926+
Member cost:					
	Average number of members	2,069	2,100	2,100	---
	Average cost per member (In $1's)	$16,034	$16,740	$17,657	$917+

[1/] Includes $1,132 proposed for transfer from the Capital Outlay account.

STANDARD CLASSIFICATION SCHEDULE FOR OBLIGATIONS ($000)

	1986 actual	1987 estimate	1988 estimate	+ or - estimate
Capital outlay:				
32 Lands and structures	20,775	16,241	0	-16,241
Budget authority	20,775	16,241	0	-16,241

EXPLANATION OF $1,926 INCREASE IN OPERATION AND MAINTENANCE ($000)

11 Personnel compensation ($271+):

$ 184+ Annualization of pay raise.

87+ Increase of employment by 5 FTE's.

12 Personnel benefits ($1,312+):

$1,312+ Federal Employee Retirement System.

21 Travel and transportation of persons ($1+):

$ 1+ Inflation.

23 Communications, utilities and other rent ($47+):

$ 47+ Inflation.

24 Printing and reproduction ($1+):

$ 1+ Inflation.

25 Other services ($97+):

$ 97+ Anticipated inflation in maintenance, repair, and operational contracts.

26 Supplies and materials ($190+):

$ 190+ Inflation is expected to increase the cost of food, fuel oil, and supplies for Member Services, Health Care Services and Logistics.

31 Equipment ($7+):

$ 7+ Inflation.

EXPLANATION OF $16,241,000 DECREASE IN CAPITAL OUTLAY

32 Lands and structures ($16,241,000-):

Capital outlay budget authority was not allowed.

SUMMARY STATEMENT

General McKEE. Thank you, Mr. Chairman. This is a special day for us at the home. First, because of our opportunity to appear before your committee and, second, because March 3, 1851, was the date that the Senate approved the bill authorizing the home. We have been in business now for 136 years.

Senator CHILES. Is that right?

General McKEE. It is a very successful operation.

For your information, Mr. Chairman and anyone else who may be new on the committee, we are located 2½ miles north of the Capitol. We have some 2,000 plus members residing at the present time and as part of the home we also have a 385-bed health care facility to take care of the members who require hospitalization.

March 3, 1883, is another significant date for us, Mr. Chairman. That was the date that Congress authorized a trust fund for the home. We operate out of that congressional trust fund. The reason Congress established the trust fund was because we had a problem at the time getting our receipts from the U.S. Treasury to operate the home. Today, we are experiencing a similar problem with getting authority through OMB. One hundred and four years later we are still having problems getting the funds that we need to operate the home as we should.

Trust fund income comes from four primary sources. First, when the home was established in 1851, Congress mandated withholding pay of 25 cents a month from each enlisted person and court martial fines and forefeitures as the primary sources of income for the home. In 1883 the trust fund was established. From 1883—for 90 years following—we received 3-percent interest on the trust fund balance on deposit with the Treasury.

In 1976 Congress authorized us to start charging a user's fee for members residing at the home.

Mr. Chairman, the home's fiscal year 1988 operation maintenance appropriation is for $37,080,000, an amount which is $1,926,000 more than the prior fiscal year. Of this, $1,583,000 is for pay related items, and $343,000 is for inflation.

I have a serious problem in that it has been suggested that we reprogram $1.132 million from our "Capital outlay" account to cover the increased personnel costs for fiscal year 1987. This creates an even greater impact in view of the fact that the home has been denied $15 million in the Capital Outlay Program for fiscal year 1988. This will cause serious delays in our restoration and air-conditioning programs at the home which we are now into our fourth year.

This denial of the capital outlay authority for fiscal year 1988 is a very unwise and costly decision for the home's trust fund, which has a projected balance for fiscal year 1988 of $174,717,000. We have adequate funds in the trust fund for your committee and the Congress to approve these funds for us.

Those are all the comments I have, Mr. Chairman. I am open for any questions.

TRANSFER APPROPRIATION

Senator CHILES. The transfer of $1,132,000 from the "Renovation program" account to your "Operations and maintenance" account will further adversely affect that program. Was it your idea, or was that something OMB came up with?

General MCKEE. That was OMB's idea, sir.

Senator CHILES. Why is this transfer needed?

General MCKEE. It was suggested that we use that source in lieu of a pay supplemental for fiscal year 1987 pay costs.

Senator CHILES. Would restoring the funds for the fiscal year 1988 appropriations be satisfactory?

General MCKEE. It would be satisfactory if we could restore that amount plus the $15 million which was denied us for the "Capital outlay" account.

FUNDING THE RENOVATION PROGRAM

Senator CHILES. I see you are not requesting any funds for your ongoing renovation program. Again, was that your idea or was that OMB's idea?

General MCKEE. That is OMB's idea once again. OMB agreed, Mr. Stockman in a letter to Secretary Weinberger, Secretary of Defense, that they would support a 10-year restoration program for us. This is the fourth year of that restoration program which should have been funded but this year OMB has denied the $15 million.

Senator CHILES. What are the conditions in the home that led to the current renovation efforts?

General MCKEE. At the present time only 22 percent of the dormitory rooms are air-conditioned. Only 35 percent of the beds in the hospital are air-conditioned. The buildings range in age. The first one was constructed in 1854, and the newest facilities we have are some 32 to 33 years of age.

KEEPING FAITH WITH TRUST FUND BENEFICIARIES

Senator CHILES. Are we keeping faith with those people who have contributed their money into the trust fund or what Congress said we were going to do even in the fines and forefeiture moneys we put in there?

General MCKEE. We certainly are not keeping faith with those people who contributed over the service career withholding pay, and what the enlisted people have been promised, the regular Army, Air Force enlisted retirees would have waiting for them if they ever need our facility. We are falling short of that promise to them, Mr. Chairman.

Senator CHILES. I agree. What kind of waiting list do you have out there?

General MCKEE. At the present time we have about 124 on a waiting list. We have started a waiting list getting ready for dormitory renovation. Construction work will start in about 8 months from now. We want to reduce the number of members. One of the dormitories to be air-conditioned first is the Scott dormitory, which houses some 800 people. We must start phasing down to make the building ready for the contractor to do his work.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. We thank you very much for your testimony. We will have some other questions that we will submit for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

TERMINATION OF RENOVATION PROJECTS

Question. General McKee, I see you are not requesting any funds for your on-going renovation program. Was this your idea or that of OMB?

Answer. We again requested $15 million; however, OMB did not allow any additional funds for restoration in FY 1988.

Question. What are the conditions at the Home that have led to the current renovation efforts?

Answer. For many years prior to 1982, the financial condition of the Home's trust fund precluded major repair work and any significant improvements to our facilities. The trust fund now has sufficient resources to allow for needed renovation.

Please see our current schedule of projects inserted for the record.

Congress has appropriated sufficient funds to accomplish most of the projects. However, for the Home to construct an intermediate care facility during the 1989-1991 period it will be necessary that $16,132,000 and $15,000,000 be provided for 1988 and 1989, respectively.

Question. What effect will the lack of funds have on the construction of the Intermediate Care facility, in terms of delay and additional costs?

Answer: Another year of delay will cost more due to inflation. More delay will cost millions due to having to develop new design and specification material.

FUNDS TRANSFER

Question. This transfer of $1,132,000 from the renovation program account to your operations and maintenance account will further adversely affect that program. Was this your idea or that of OMB? Why is this transfer needed?

Answer. We requested a supplemental appropriation; however, OMB only allowed for a transfer to cover additional costs due to pay raises and for the new Federal Retirement System.

Question. Would restoring the funds with the FY 1988 appropriations be satisfactory?

Answer. Yes. Restoration is a way to return the funds to the renovation program.

Question. Just what is your total requirement for FY 1988 in this account?

Answer. Because of a transfer of $1,132,000 from the account in FY 1987, the FY 1988 requirement is $16,132,000.

USE OF INCREASED FUNDS

Question. Your FY 1988 appropriation is $1,926,000 more than FY 1987. What are these extra funds for?

Answer. Most of the additional funds will be for pay related items. That amounts to $1,583,000. The other $343,000 is for inflation of non-pay items.

INFLATION ALLOWANCE

Question. Is the amount for inflation sufficient? Was that the amount you requested or were you held to some OMB allowance?

Answer. It is difficult to forecase future inflation. We were held to an OMB allowance of 3.4 percent.

Question. The price for medical supplies has been increasing in excess of the average inflation rate. What percent and how much do you need for those items? How much were you allowed?

Answer. OMB allowed $84,000 at their 3.4 percent. We believe a 4.5 percent increase is necessary. The shortfall is $27,000.

GENERAL

Question. How many distinguished veterans does the Home support?

Answer. Our average membership last fiscal year was 2,069.

Question. How many are hospitalized?

Answer. The number of members in our health care facility as of 1 March 1987 was 364.

Question. What is the average age of the membership?

Answer. The average age of our membership is 68.2.

Question. What is the average annual cost per member?

Answer. The FY 1988 budget allows $17,657 of operations and maintenance funds each member.

Question. What medical programs do you have for the aged?

Answer. We have medical programs such as:

Cardiology
Community Health
Dermatology
Diabetic
Gastroenterology

Hypertension
G I
G U
Neurology
Optometry
Podiatry
Psychiatry
Pulmonary
Rheumatology
Occupational Health

ACTIVITIES FOR MEMBERS

Question. What kinds of programs do you have for the members to continue living an active life?

Answer. The two major programs we have are recreational and educational in nature.

The recreation program includes hobby and craft shops, theaters, fishing, golf, bowling, gardening, sporting events, dinner theaters and many social activities. Frequent trips are made to other than Home activities. The education program includes libraries, all sorts of personal development classes. Computer science, foreign languages, investment analysis, and music appreciation are some of recent offerings.

ASBESTOS PROBLEM

Question. Would you please describe the problem with asbestos at the Home and what plans you have to address the problem.

Answer. Originally, it was envisioned that asbestos deficiencies would be corrected as renovation work was otherwise performed on Home structures. We contracted for an engineering firm to evaluate our asbestos situation. The study revealed that we have serious asbestos problems that demand correction in view of important safety and member welfare considerations. The problem will be corrected as we go through each building during its renovation.

Questions Submitted by Senator Lowell P. Weicker, Jr.

Senator Weicker. General McKee, I also understand O.M.B. has recommended reprogramming funds from your current FY 87 outlay account to pay for mandatory increases in personnel costs. What effect would the reprogramming request have on your current outlay account?

General McKee. The reprogramming will reduce FY 1987 funds available for our restoration program by $1,132,000.

Senator Weicker. General Mckee, it seems that you and I keep fighting the same battle with O.M.B. over the Home's need for capital improvements. I understand O.M.B. has denied your capital outlay request of $15,000,000. Is that correct?

General McKee. Yes, OMB denied our request for $15 million for capital outlay in FY 1988.

Senator Weicker. Am I also correct in understanding that the Secretary of Defense has objected to O.M.B.'s denial of your request?

General McKee. Yes, the Secretary of Defense did object to OMB's denial of our request. The Secretary of the Army and the Secretary of the Air Force also objected.

Senator Weicker. What is the status of your facilities' restoration and modernization program?

General McKee. The restoration and modernization program is at a crucial juncture. Please see our schedule of projects in the current phase of the program inserted for the record. Preliminary work has been accomplished. Funds are available to finance all of the listed projects with the important exception of the intermediate care facility. Planning envisioned receipt of $15 million -- now $16,132,000, because of reprogramming -- for capital outlay in FY 1988. Another $15 million will be required in FY 1989. With those funds the Home will be able to do the job.

Senator Weicker. What impact would the proposed elimination of funds have on this program?

General McKee. This will adversely impact upon our restoration and modernization program unless Congress restores the funds in FY 1988. That would be consistent with action taken in the FY 1987 appropriation for the capital outlay account.

SCHEDULE OF PROJECTS

PRIORITY	PROJECT	STUDY	NAB	A/E	NAB	PROCUR.	CONST.	S&A	CONTING.	TOTAL
1	REPLACEMENT OF LEAKING PCB TRANSFORMERS CORRECTION OF ELECTRICAL DISTRIBUTION DEFICIENCIES INSTALLATION OF THIRD PEPCO FEEDER	126,728	—	450,000^{E}	45,000^{E}		4,502,000^{E}	253,000^{E}	90,000^{E}	5,466,728^{E}
2	REPLACEMENT OF WINDOWS, SCOTT BLDG.	—	—	IN-HOUSE	—		1,200,000^{E}	—	—	1,200,000^{E}
3	REPLACEMENT OF STREET LIGHTING SYSTEM	—	—	51,000	—		1,400,000^{E}	—	—	1,451,000^{E}
4	INSTALLATION OF CENTRAL FIRE ALARM SYSTEM	—	—	IN-HOUSE	—		1,449,000^{E}	—	—	1,449,000^{E}
5	CORRECTION OF ASBESTOS DEFICIENCIES	74,000 75,000	9,400 —	90,000^{E}			900,000^{E}	50,000^{E}	18,000^{E}	1,261,900^{E}
6	A/C MEMBERS' ROOMS & CONVERSION OF LATRINES, SCOTT	—	—	953,000	—		17,600,000^{E}	998,000^{E}	402,000^{E}	19,953,000^{E}
7	REHABILITATION OF ELEVATORS, KHC	30,000^{E}		100,000^{E}	10,000^{E}		1,000,000^{E}	55,000^{E}	20,000^{E}	1,215,000^{E}
8	REPAIR OF TUNNELS						175,000			175,000^{E}
	REPAIR OF LOW TEMPERATURE HOT WATER SYSTEM	—	—	IN-HOUSE	—		1,208,000^{E}	—	—	1,208,000^{E}
9	INTERMEDIATE CARE FACILITY	182,700 39,300	13,500 —	2,222,690	195,700		27,775,000^{E}	1,528,000^{E}	555,500^{E}	32,512,390^{E}
10	CONSTRUCTION OF HANDICAPPED RAMP, PIPES AUDITORIUM	—	—	IN-HOUSE	—		140,000^{E}	—	—	140,000^{E}
11	CONSTRUCTION OF LOADING DOCK & SLURRY BLDG, SCOTT	—	—	IN-HOUSE	—		250,000^{E}	—	—	250,000^{E}
12	REPAIR OF GRANT BLDG ROOF	16,000^{E}	—	33,000^{E}	—		330,000^{E}	—	—	379,000^{E}
13	REPLACEMENT OF SCOTT PATIO	—	—	IN-HOUSE	—		140,000^{E}	—	—	140,000^{E}
14	GAS CONVERSION OF HEATING PLANT BOILERS	8,000	—	60,000^{E}			600,000^{E}	33,000^{E}	12,000^{E}	713,000^{E}
15	CONSTRUCTION OF GRANT PARKING LOT & TURNAROUND	—	—	IN-HOUSE	—		292,000^{E}	—	—	292,000^{E}

Atch. 1

SUBCOMMITTEE RECESS

Senator CHILES. The subcommittee will stand in recess until tomorrow morning at 9:30 when we will meet in SD–124 to hear witnesses from the Department of Health and Human Services and one related agency, the Prospective Payment Assessment Commission.

[Whereupon, at 5:20 p.m., Tuesday, March 3, the subcommittee was recessed, to reconvene at 9:30 a.m., Wednesday, March 4.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1988

WEDNESDAY, MARCH 4, 1987

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The Subcommittee met at 9:35 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Lawton Chiles (chairman) presiding.

Present: Senators Chiles, Harkin, Weicker, and Domenici.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF ASSISTANT SECRETARY FOR HEALTH

STATEMENT OF DR. ROBERT E. WINDOM, ASSISTANT SECRETARY FOR HEALTH

ACCOMPANIED BY:

- **LOWELL T. HARMISON, PH.D., DEPUTY ASSISTANT SECRETARY FOR HEALTH**
- **WILFORD J. FORBUSH, DEPUTY ASSISTANT SECRETARY FOR HEALTH OPERATIONS AND DIRECTOR, OFFICE OF MANAGEMENT**
- **DR. J. MICHAEL McGINNIS, DEPUTY ASSISTANT SECRETARY FOR HEALTH (DISEASE PREVENTION AND HEALTH PROMOTION)**
- **JO ANN GASPER, DEPUTY ASSISTANT SECRETARY FOR POPULATION AFFAIRS**
- **DR. SAMUEL LIN, DEPUTY ASSISTANT SECRETARY FOR INTERGOVERNMENTAL AFFAIRS, AND ACTING DIRECTOR, NATIONAL CENTER FOR HEALTH SERVICES RESEARCH AND HEALTH CARE TECHNOLOGY ASSESSMENT**
- **DR. MANNING FEINLEIB, DIRECTOR, NATIONAL CENTER FOR HEALTH STATISTICS**
- **ASAHEL HAYES, ED.D., EXECUTIVE DIRECTOR, PRESIDENT'S COUNCIL ON PHYSICAL FITNESS AND SPORTS**
- **DR. HERBERT NICKENS, DIRECTOR, OFFICE OF MINORITY HEALTH**
- **DR. GARY R. NOBLE, ACQUIRED IMMUNE DEFICIENCY SYNDROME COORDINATOR**
- **DR. JAMES MASON, DIRECTOR, CENTERS FOR DISEASE CONTROL**

ACCOMPANIED BY—Continued

DR. ANTHONY S. FAUCI, DIRECTOR, NATIONAL INSTITUTE OF ALLERGY AND INFECTIOUS DISEASES, AND NATIONAL INSTITUTES OF HEALTH ACQUIRED IMMUNE DEFICIENCY SYNDROME RESEARCH COORDINATOR

DR. ROY W. PICKENS, DIRECTOR, DIVISION OF CLINICAL RESEARCH, NATIONAL INSTITUTE ON DRUG ABUSE, ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH ADMINISTRATION

W. HARELL LITTLE, CHIEF, BUDGET BRANCH, PUBLIC HEALTH SERVICE

DENNIS P. WILLIAMS, DEPUTY ASSISTANT SECRETARY, BUDGET

OPENING REMARKS

Senator CHILES. This morning the subcommittee will hear testimony in support of the budget request for the Office of the Assistant Secretary for Health and the Centers for Disease Control.

Our first witness is Dr. Robert E. Windom, the Assistant Secretary for Health. This is the first time that Dr. Windom is appearing before our committee and we welcome him. Before joining the Department, Dr. Windom was a practicing physician in Sarasota and a clinical professor of internal medicine at the University of South Florida School of Medicine. And we are delighted to have him here.

In his position as the Assistant Secretary for Health, Dr. Windom provides a leadership role for the activities of Public Health Service agencies. In addition, he is responsible for administering several programs, including health services research, health statistics, and certain high priority programs such as minority health and health promotion.

Dr. Windom's office also oversees all AIDS activities, not only for the several agencies of the Public Health Service, but for the entire Federal Government.

In 1988 the Public Health Service is requesting $533.5 million for AIDS programs, $118 million or a 28-percent increase over last year. Medicaid, Medicare, and Social Security programs will add another $375 million to the AIDS 1988 budget request.

Together with AIDS spending at the Veterans Administration and the Department of Defense and other agencies, Federal spending on AIDS will total $1 billion in 1988. We want to learn about the need for AIDS funding. Since there is no cure or effective treatment, very aggressive education and public information is needed to help people avoid becoming infected.

This morning we will learn about the AIDS problem. Hopefully we will learn what the true funding needs are to fight the war against AIDS.

PREPARED STATEMENT

Dr. Windom, we welcome you and we ask you to introduce your associates and proceed with an oral summary, if you would, and your remarks, your statement in full, will be included in the record.

Senator WEICKER. Thank you, Mr. Chairman. I would like to welcome Dr. Windom. We have worked together on a number of health matters, and I appreciate his cooperation and assistance in those matters.

I was especially appreciative last year for the assistance that you provided to Senator Proxmire and myself on the $47 million additional for the AIDS experimental drug program. I look forward to working with you in my minority capacity as much as I enjoyed working with you in a majority capacity.

[The statement follows:]

STATEMENT OF ROBERT E. WINDOM

I appreciate the opportunity to appear here today to discuss the 1988 budget request for the appropriations in the Office of the Assistant Secretary for Health (OASH)--the Public Health Service (PHS) Management appropriation request of $251 million, and the Retirement Pay and Medical Benefits for Commissioned Officers appropriation request of $94.2 million.

PUBLIC HEALTH SERVICE MANAGEMENT

The budget request of $251 million for the PHS Management appropriation includes funding for a number of high priority programs which operate under the direct supervision of the Assistant Secretary for Health. These programs account for $232 million or 92 percent of the funding requested in this account. The remaining funds support the overall management and direction activities for PHS. The Fiscal Year 1988 appropriation request represents a $6.6 million net decrease from the 1987 comparable level. This decrease reflects budget authority reductions of $10.5 million and offsetting increases in operating expenses totalling $3.9 million.

The FY 1988 budget request includes $19 million of budget authority and a total of $41 million in obligational authority for the National Center for Health Services Research and Health Care Technology Assessment (NCHSR/HCTA). This represents approximately the same level of support as provided to NCHSR in FY 1987. NCHSR is an important source of Federal support for research to create new knowledge and a better understanding of the process by which health services are made available and how they may be provided more efficiently, more effectively, and at lower cost.

NCHSR supports an extramural research program of investigator-initiated proposals which undergo peer review. These studies make a significant contribution to the expansion of the knowledge base for health policy analysis. Projects focus on a variety of current issues, including the role of market forces in health care delivery, variations in medical practice patterns, and quality of care. Extramural research projects also focus on the development of methodologies required for future evaluation of alternate mechanisms for organizing, financing and delivering health care, including the creation and validation of methods for determining cost benefit and cost effectiveness. NCHSR is also responsible for supporting research to assess the impact of medical technologies and to develop methodologies to evaluate the effectiveness of such technologies.

Research supported by NCHSR has demonstrated that prior to implementation of the Prospective Payment System, declines in hospital stays were due largely to advances in new surgical techniques and technological improvements. For example, average hospital stays for cataract surgery, a procedure enhanced by laser technology and other changes, dropped from nearly a week to a little over three days.

Average stays for newer procedures, such as coronary bypass and total hip replacement, declined as much as 18 percent. Moreover, these reductions occurred despite the fact that as the decade advanced, so did the average age and severity of illness of surgical patients. Technological improvements during the decade allowed surgeons to operate on older patients previously considered too high risk to undergo surgery. Two studies supported by NCHSR were among the first to examine the effects of changing medical technologies on treatment costs over the past decade. These investigations found that new and expensive treatments of certain conditions, primarily the use of high-cost surgical procedures, accounted for the most dramatic hospital cost increases.

This budget request includes $5.5 million from NCHSR appropriations, $14.1 million from Department-wide one percent evaluation funds, and $2.4 million in reimbursements ($22 million), to support continuation of the field work and the commencement of analyses of data gathered through the 1987 National Medical Expenditure Survey (NMES). The information collected in this survey will update the data base for addressing the health care and health insurance policy issues of the 1980s. This unique data base will enable analyses designed to assess public programs such as Medicare and Medicaid, the cost of coverage of private health insurance, and the implications of various changes in the health care industry over the past decade. The NMES scope has been broadened to include institutionalized persons and the expenditures associated with their care. In this way, we will be better able to address the issues raised by the increasing proportion of elderly Americans, the rapid growth of Medicaid expenditures for care provided in nursing homes and facilities for the mentally retarded, as well as for public and private burdens of long term care.

Another important program included in the request is the National Center for Health Statistics (NCHS). As the Nation's principal health statistics agency, NCHS plays an important role as the source of a broad range of health information critical to understanding and improving the health of the American people. Among the data from NCHS are such key indicators as infant mortality and low birth weight, life expectancy, nutritional status, and changing patterns in our use of hospitals and technology.

In addition to providing information to Congress and the public, NCHS plays a key role in providing data for programs throughout the Public Health Service. Examples of collaboration with other PHS agencies include an extensive study of cancer risk factors as part of the current National Health Interview Survey and studies of prenatal care, low birth weight, and other factors associated with infant mortality.

The wealth of data available from the ongoing data systems of NCHS, as well as its expertise in designing and interpreting health studies, make NCHS an integral part of the Public Health Service as well as the broader health and research communities.

The budget request of $51.1 million for NCHS is a decrease of $1 million from the FY 1987 appropriation. This decrease does not reflect a reduction in program activity. Rather, the decrease results from a change in the method of funding for a major survey.

We plan to use $6.1 million from one-percent evaluation funds to support a portion of the costs of the Health and Nutrition Examination Survey programs. As a result, the amount of obligational authority available to NCHS during FY 1988 will be $57.2 million, a net increase of $5.1 million. At this level, NCHS will be able to maintain its scheduled program of data collection and analysis during FY 1988.

Significant components of our request for NCHS for FY 1988 include: continuation of the Federal share of the national vital statistics system at the one-third level established by Congress for FY 1987; data collection for the third National Health and Nutrition Examination Survey; conduct of the annual National Hospital Discharge Survey and scheduled data collection in the periodic surveys of other health providers; and continued data collection for the National Health Interview Survey, with a special focus on occupational health, medical device implants, alcohol consumption, and child health.

The FY 1988 request of $10.1 million for the Adolescent Family Life program is a decrease of $3.9 million from FY 1987 and represents the initiation of a three-year phase over of this demonstration program. By the final year of the phase over in 1990, nearly a decade of demonstration projects will have produced over 100 innovative approaches for addressing the complex issues of premature sexual activity and teenage pregnancy. This phase over is an appropriate action to take at this time because tested evaluations will be available for dissemination to interested entities. There are many local and provider groups that have expressed an interest in setting up service delivery programs within their communities. With tested evaluations in hand, these groups will be able to develop programs that deal more effectively with the problem of teenage pregnancy.

In FY 1988 $144.1 million is being requested for grants and personnel costs for a Family Planning Block Grant program to supersede the Family Planning categorical grant program which has been appropriated previously to the Health Resources and Services Administration. The proposed block grant will support direct awards to the States and territories and will provide the States both the resources and control over the resources to deliver voluntary family planning services that are responsive to and in accordance with State law and other State administered health care programs. Funding for the grants portion of the State administered Family Planning block grant is proposed at the same dollar level of $142.5 million as the categorical program received in FY 1987.

The budget request of $3.1 million for the Disease Prevention and Health Promotion activity supports the continuation of a number of program activities including overseeing implementation of the 1990 prevention objectives; coordinating Departmental efforts in nutrition; disseminating health information; and encouraging health promotion, protection and preventive services programs. Based on findings of the Midcourse Review of the 1990 Health Objectives for the Nation, increased attention will be focused on clinical preventive services recommendations. This activity will continue the work begun with the Surgeon General's Report on Nutrition and Health and begin the planning phase of a national public education program on nutrition and fitness. Technical support for the "Healthy Older People" programs will continue and public-private partnerships to enhance support for health promotion activities in the workplace will be promoted.

Another important health promotion activity funded in this account is the Physical Fitness and Sports program. The budget request of $1.4 million will support continuation of the highly successful programs which encourage Americans of all ages to exercise regularly. Youth fitness will remain a high priority, but projects also emphasize fitness for government employees, special populations and older adults. The budget request for this activity provides approximately the same level of support as in FY 1987.

The budget includes a request of $3.0 million for the Office of Minority Health which was established in FY 1986 in response to the Secretary's Task Force on Black and Minority Health. This report documented that more than 60,000 excess deaths occur each year among Asian/Pacific Islanders, Blacks, Hispanics, and Native Americans. The Office of Minority Health is the focal point for the implementation of the recommendations contained in the Task Force report and for the formulation and development of strategies to improve the health of minority populations. The efforts are aimed at reducing the disparity in the health status between minority and non-minority populations and focus on modifying those behavior patterns or preventable conditions which contribute to excess mortality among minorities. In FY 1988, the Office of Minority Health will continue the health risk factor reduction community coalition grant program and support a Department-wide program coordination and planning process which will develop long and short term goals and objectives in minority health and programmatic initiatives. This is the first year that funds have been requested in this account for Minority Health activities. Previously, the PHS agencies have jointly funded this program.

For the management and direction of the Public Health Service, we are requesting $19.1 million. This request reflects savings of $.9 million and 14 FTEs generated through management reductions in overhead staff. These savings are offset by an increase of $.9 million for the new Federal Employment Retirement System. This request also includes 6 FTEs for the AIDS Coordinator's staff.

RETIREMENT PAY AND MEDICAL BENEFITS FOR COMMISSIONED OFFICERS

The Retirement Pay and Medical Benefits for Commissioned Officers appropriation provides retirement payments to Public Health Service Commissioned Officers, payments to survivors of officers who elected to receive a reduced annuity, and the costs of medical care of active duty and retired officers, their dependents and survivors.

We are proposing to change this account from an annual indefinite to a biennial definite appropriation. The Fiscal Year 1988 request is $94.2 million and the estimated amount for FY 1989 is $100.4 million. A reserve fund of $5.0 million is included for both FY 1988 and FY 1989 and will be available only to the extent necessary to pay costs and benefits not anticipated in the budget estimates.

I will be pleased to answer any questions you may have.

BIOGRAPHY OF ROBERT E. WINDOM

Robert E. Windom, M.D., was sworn in June 23, 1986, as assistant secretary for health, Department of Health and Human Services. Dr. Windom was nominated by President Reagan May 8, 1986, and confirmed by the Senate June 19, 1986.

Before joining HHS, Dr. Windom was a practicing physician specializing in internal medicine, in Sarasota, Fla. He has been clinical professor of internal medicine at the University of South Florida School of Medicine and clinical associate professor of internal medicine at the University of Miami School of Medicine.

As assistant secretary for health, Dr. Windom directs the activities of the Public Health Service, which includes the Health Resources and Services Administration; the Alcohol, Drug Abuse and Mental Health Administration; the Centers for Disease Control; the Food and Drug Administration; the National Institutes of Health; and the Agency for Toxic Substances and Disease Registry.

Dr. Windom provides policy guidance for other HHS programs including the Health Care Financing Administration, which administers Medicare and Medicaid. He also maintains relationships with other government and private agencies concerned with health. He advises and assists the Secretary on health policy and on all health-related activities.

Dr. Windom was born July 14, 1930, in Columbus, Ohio. He received his B.S. and M.D. degrees from Duke University in 1952 and 1956, respectively. He served his internship and residency in internal medicine at Parkland Memorial Hospital in Dallas, Texas.

He is a past president of the Florida Medical Association, the Florida Heart Association, the Florida Medical Political Action Committee and the Sarasota County Chamber of Commerce. He served as a delegate to the American Medical Association, as a member of the National Board of the American Heart Association and as a member of the Advisory Council to the National Institute on Aging. Dr. Windom has been chosen as a distinguished alumnus of the Duke University School of Medicine and he won the Health Communicator of the Year Award from the Florida Hospital Association for his 10 years of producing and hosting regular television programs on health topics.

He has written numerous articles on medical subjects and has lectured frequently on various topics related to health. He is a Fellow of both the American College of Physicians and the American College of Cardiology. He is certified by the American Board of Internal Medicine and has been an active member of the American Society of Internal Medicine.

Dr. Windom and his wife, the former Lelia Ann Harmon, have three sons: Robert Jr., Ross and Hugh.

INTRODUCTION OF ASSOCIATES

Dr. WINDOM. Thank you, Mr. Chairman, Senator Weicker.

First I would like to introduce the people here with me today. To my left: Dr. James Mason, the Director of the Centers for Disease Control; Dr. Gary Noble, who is the AIDS coordinator from my office; and Mr. Harell Little, who is in our Budget Office; and to my right, Dr. Lowell Harmison, Deputy Assistant Secretary of Health; and next to him is Mr. Wilford Forbush, Assistant Secretary for Health Operations and Director of the Office of Management; Dr. Anthony Fauci, Director of the National Institute of Allergy and Infectious Diseases.

Mr. Chairman, I appreciate this opportunity to appear here today to discuss the 1988 budget request for the appropriations in the Office of the Assistant Secretary for Health, the Public Health Service's management appropriation request of $251 million, and the retirement pay and medical benefits for commissioned officers appropriation request of $94.2 million.

The budget request of $251 million for the Public Health Service management appropriation includes funding for a number of high priority programs which operate under the direct supervision of the Assistant Secretary for Health. These programs account for $232 million or 92 percent of the funding requested in this account.

The remaining funds support the overall management and direction activities for PHS. The fiscal year 1988 appropriation request represents a $6.6 million net decrease from the 1987 comparable level. This decrease reflects program reductions of $10.5 million and offsetting increases in operating expenses totaling $3.9 million.

The funding requested for the National Center for Health Services Research and Health Care Technology Assessment will provide a continuing level of effort with no major increases or decreases.

The most significant area of effort in 1988 will be a continuation of the national medical expenditure survey, for which data collection began in January 1987.

The budget request of $51.1 million for the National Center for Health Statistics is a decrease of $1 million from the fiscal year 1987 appropriation. This decrease does not reflect a reduction in program activity. Rather, the decrease results from a change in the method of funding for a major survey.

We plan to use $6.1 million from 1 percent evaluation funds to support a portion of the costs of the health and nutrition examination survey. As a result, the amount of obligational authority available to NCHS during fiscal year 1988 will be $57.2 million, a net increase of $5.1 million. At this funding level, NCHS will be able to maintain its scheduled program of data collection and analysis during fiscal year 1988.

In fiscal year 1988, $144.1 million is being requested for a Family Planning Block Grant Program to supersede the Family Planning Categorical Grant Program. The proposed block grant will support direct awards to the States and territories and will provide the States both with resources and control over the resources to deliver voluntary family planning services that are responsive to and in accordance with State law and other State-administered health care programs.

The budget request for the Adolescent Family Life Program reflects a decrease of $3.9 million from fiscal year 1987. This program has demonstrated and tested many wide-ranging and innovative approaches to the problems of premature sexual activity and subsequent pregnancy.

At this time, many communities are ready and willing to take action to address these problems. Therefore, fiscal year 1988 is the beginning of a planned phaseover of the Adolescent Family Life Demonstration Program.

The budget includes a request of $3 million for the Office of Minority Health, which was established in fiscal year 1986 in response to the Secretary's task force on black and minority health. This report documented that more than 60,000 excess deaths occur each year among Asian Pacific islanders, blacks, Hispanics, and native Americans.

In fiscal year 1988, the Office of Minority Health will continue the health risk factor reduction, Community Coalition Grant Program, and support a departmentwide program coordination and planning process which will develop long-term and short-term goals and objectives in minority health.

The funding requested for the disease prevention and health promotion activity will enable the program to maintain approximately the same level of activity in fiscal year 1987 while focusing special attention on 1990 health objectives shown by the 1985–86 midcourse review to be falling short of attainment by 1990.

The 1988 budget request also provides for the continuation of ongoing activities supported by the physical fitness and sports activity and the PHS management activity.

The amount requested for the retirement pay and medical benefits for commissioned officers appropriation will fund mandatory retirement payments to Public Health Service commissioned officers, payments to survivors of officers who elected to receive a reduced annuity, and the cost of medical care of active duty or retired officers, their dependents and survivors.

I will be pleased to answer any questions you may have.

UPDATE ON AIDS FUNDING

Senator CHILES. Thank you, sir. I know you are supported this morning by several key players in the fight against AIDS at the Centers for Disease Control, the National Institutes of Health, and other Public Health Service agencies.

I would like you to brief the subcommittee on your funding and program proposals for AIDS for fiscal year 1988. We very much need to know what you are doing in this important area and we need to know what we can do to provide you with adequate funding for the war on AIDS.

Dr. WINDOM. Senator, we would be pleased to do so, and if I may come up with Dr. Noble, I will show you some graphs.

Senator CHILES. Yes, sir; please, do so.

PHS AIDS FUNDING

[In millions of dollars]

Agency	1986	1987	1988 (proposed)
Food and Drug Administration	$10	$14	$16
Health Resources and Services Administration		2	7
Centers for Disease Control	62	89	112
National Institutes of Health	135	253	344
Alcohol, Drug Abuse, and Mental Health Administration	12	48	54
Office of the Assistant Secretary for Health			<1
Office of the Secretary, demonstration projects	15	10	
Total, AIDS	234	416	534

[CHART 1]

Dr. WINDOM. I am sorry everyone cannot see these, but for your information this first chart presents the AIDS budget request by organization.

Senator WEICKER. Dr. Windom, let me say this, because I think the more information we can make available to the public the better. If you want to tilt that around a little more so that the cameras can see the chart, please do so, because we can see it.

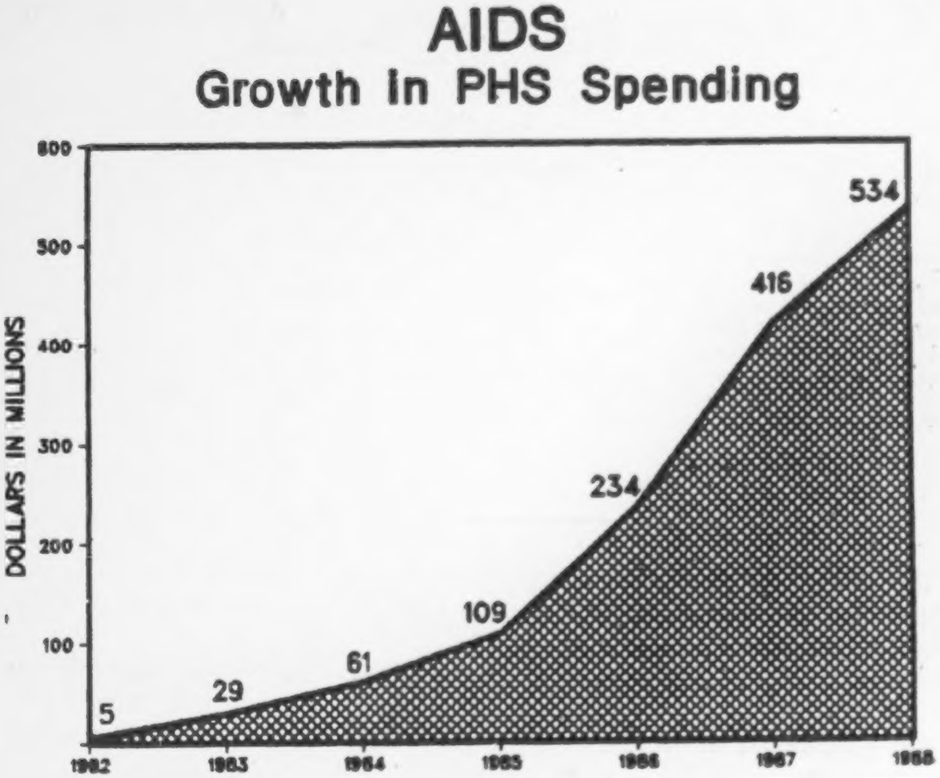
Senator CHILES. We have some hard copies we can pass out if the press does not have them.

Dr. WINDOM. I would like to mention here, that although the FDA's budget request is included here, it is not under consideration here today. That comes under another subcommittee. However, with the other PHS agencies and the Office of the Assistant Secretary for Health, the total 1988 request is $534 million.

You can see the increase here from 1986 to the current request for 1988. These are the various agencies that will fund this.

Senator CHILES. Why do you not run through those? Those initials do not mean much to us.

Dr. WINDOM. This is the Health Resources and Services Administration; the Centers for Disease Control; the National Institutes of Health; the Alcohol, Drug Abuse, and Mental Health Administration; the Office of the Assistant Secretary for Health; and the Food and Drug Administration which makes up the Public Health Service.

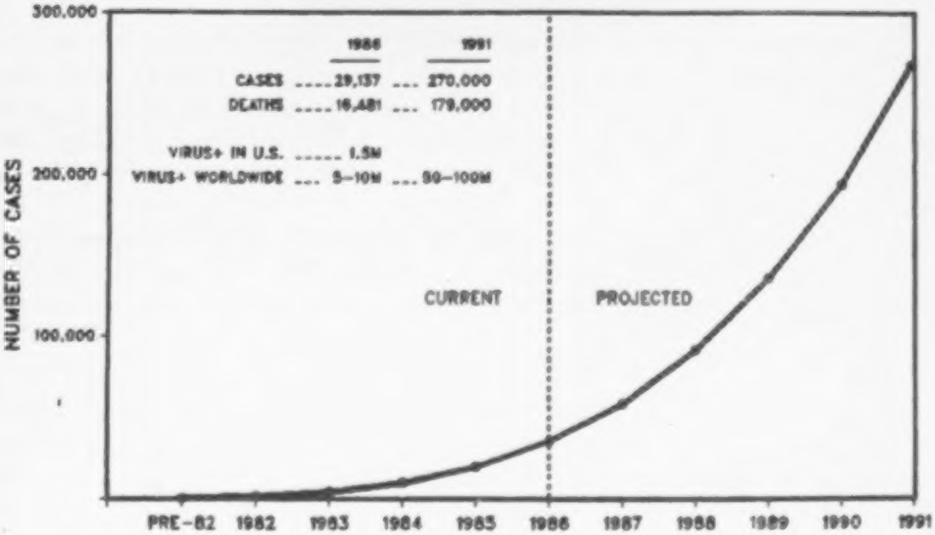


[CHART 2]

This AIDS budget funding history graph shows the growth in the Public Health Service funding which has increased from $5 million in 1982 to $534 million in the present request.

This indicates the enormous progress that has been made since the discovery of the disease and the realization of what needs to be done. It takes a great deal of increased resources.

CUMULATIVE CASES OF AIDS IN THE UNITED STATES
CURRENT & PROJECTED



[Chart 3]

This is a chart showing cumulative cases which shows the incidence of AIDS cases. In 1982 or late 1981, AIDS was first recognized and now we are up to 31,000 cumulative cases in the United States; and projections to 1991 are that there will be approximately 270,000 cumulative cases, of which 179,000 cumulative deaths will have occurred from the disease.

Modes of Transmission

Sexual—Homosexual, heterosexual.
IV drug abuse.
Perinatal.
Blood or blood products.

[Chart 4]

The modes of transmission are listed here. Sexual contact, homosexual or heterosexual, is the primary means by which this disease is transmitted, and the studies that have been done in this area have continued to show this.

Of course, IV drug abuse by means of contaminated needles is another mode of transmission. Another mode of transmission is perinatal, with the infected mother transmitting the disease to the infant. Indications are that some 30 to 50 percent of infected mothers will infect their infants with the virus.

Blood or blood products was a very important aspect of transmission up until late 1984 and early 1985, when blood tests were discovered and we found out how to protect the blood so that now we have virtually, not 100 percent, but almost 100 percent AIDS free blood supply and blood products. Transmission by this mode is way down, to almost zero.

AIDS PREVENTION THROUGH BLOOD SCREENING

Senator CHILES. So we have tests now for blood, where we are taking donors or anything else, that we can screen that blood and feel that we can be sure that if somebody goes to the hospital and gets a transfusion they are not going to get some blood with AIDS?

Dr. WINDOM. There is only one small possibility, Senator, that an individual who may be infected, say, today and goes to give a transfusion in a few days to maybe a few weeks, that that person's blood will not test positive for a matter of several weeks to 2 to 3 months. There are certain rare instances where that would happen, and this may be a means of transmission.

The possibility of infection, however, is virtually so low that we hope that we can completely eliminate it in time. We cannot test for that small period of time because the antibody is not present.

Distribution of AIDS cases

[Percentage of new cases]

	1986
Homosexual or bisexual men	66
Intravenous [IV] drug abusers	17
Homosexual male and IV drug abusers	8
Persons with hemophilia	1
Heterosexual partners of high risk groups	4
Recipients of blood or blood products	2
Other	3

[CHART 5]

DISTRIBUTION OF AIDS CASES

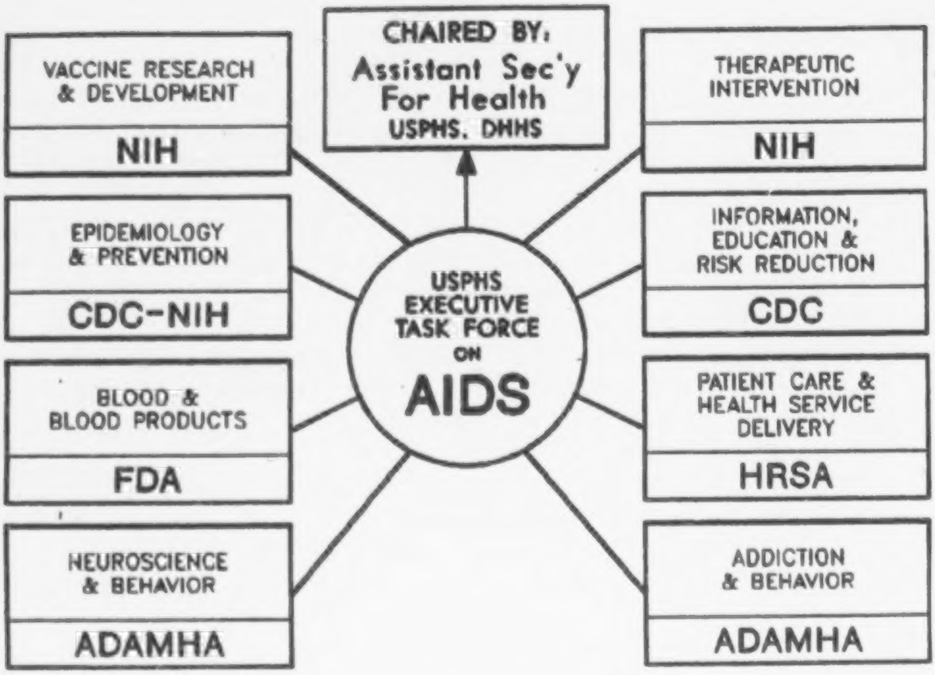
The distribution of the AIDS cases shows the percentage of new cases by modes of transmission. In 1986, homosexual and bisexual men were still the groups predominantly affected, 66 percent. Intravenous drug users is significant at 17 percent. As we point out here among the hemophiliacs, this is a result of the blood products that they received in the past, and is now hopefully to be eliminated.

Among heterosexual partners, the incidence is increasing. It is a very important figure to look at now because we will find that it is escalating.

The 2 percent where we talk about the blood products refers to the latent period of the time from when the infection occurs until it manifests itself. People who have received blood, for example prior to 1985 before we had the blood test, may have received that virus in their blood in a transfusion and it may be a few years yet before it will show itself.

Senator CHILES. But that number will go down, that percentage will go down?

Dr. WINDOM. Yes.


CHAIRED BY:
Assistant Sec'y For Health
USPHS, DHHS
USPHS EXECUTIVE TASK FORCE ON AIDS
VACCINE RESEARCH & DEVELOPMENT
NIH
EPIDEMIOLOGY & PREVENTION
CDC-NIH
BLOOD & BLOOD PRODUCTS
FDA
NEUROSCIENCE & BEHAVIOR
ADAMHA
THERAPEUTIC INTERVENTION
NIH
INFORMATION, EDUCATION & RISK REDUCTION
CDC
PATIENT CARE & HEALTH SERVICE DELIVERY
HRSA
ADDICTION & BEHAVIOR
ADAMHA

[CHART 6]

EXECUTIVE TASK FORCE ON AIDS

This is a description of our task force which was established within the Public Health Service in 1984 and which meets every 2 weeks. This is an organization within our own structure. As you can see, it is quite extensive. But the important aspect is that we need to have every one of our agencies, as are listed here with their own particular expertise, to meet on a biweekly basis and discuss the problems that have evolved in that length of time, look at new projects that may be undertaken, look at some of the prospects of drug treatment, and so forth.

So this is an active, ongoing group that meets within the Department and reports to me as the chairman.

AIDS ACHIEVEMENTS

1981—AIDS recognized as new disease.

1984—AIDS virus identified; AIDS blood test developed.

1985—AIDS blood tests licensed; all U.S. blood supplies first tested—mid-1985.

1986—Expanded use of investigational drug, AZT: Coolfont, Surgeon General's, NAS reports on AIDS; initial animal testing of vaccines.

1987—Information, education, and risk reduction plan.

[CHART 7]

MAJOR ACHIEVEMENTS IN AIDS

I think this is a very significant graph to show the achievements that have occurred from 1981 to today. It will be 6 years this June since this disease was first recognized. Within a few years, in 1984, the virus was identified, and shortly after we were able to develop a test for use in blood banks and plasma centers to test for antibodies to the AIDS virus.

Within a rapid time, by 1985, the blood test was licensed by the Food and Drug Administration. It went through a rapid process to get approved and all U.S. blood supplies were first tested in mid-1985. So it had been a very short time.

In 1986, it was shown that AZT, a drug that had been on the laboratory shelves for years, had been studied and evaluated and found to be effective in certain patients with AIDS. That was released to expanded investigational use just last September.

Then the important Coolfont conference was held in June 1986, the Surgeon General's report was released in the fall of 1986, and the National Academy of Science's Institute of Medicine came forth with information about transmissibility of the disease and behavioral preventive measures.

Also in 1986, we first started testing of vaccines in animals. Now this year in 1987, we will concentrate our efforts on information and education and risk reduction plans.

I want to point out, however, that going back to 1982, information about AIDS has been disseminated through the Public Health Service and through others. Education efforts have been proposed and different guidelines have been followed since 1982.

DHHS CURRENT FOCUS ON AIDS

Information and education.
Treatment development and testing—antiviral, clinical.
Vaccine development and testing.
Surveillance and epidemiology.
Health service demonstrations.
Critical partnerships.

[CHART 8]

CURRENT FOCUS ON AIDS

We are now putting together a major concentrated document and plan to go forth from here to learn from our previous experience and to look forward to the future.

This is the Department of Health and Human Services' current focus on AIDS. I will mention information and education again in a moment. But now, let me talk about treatment, development, and testing.

It is not easy to try to put a therapeutic agent together and give it to somebody and say that it is going to work. It takes a lot of evaluation, first to see if the drug or the antiviral product is safe, and then to apply it to further studies to see if it is effective. A major effort is underway to test antiviral drugs, as well as vaccine development and testing.

Surveillance and epidemiology continue as an ongoing process because it is so important to see how the prevalence of this disease expands and in what areas it is most predominant.

Health services demonstration projects are currently underway to look at how the delivery of health care can best be performed by health care providers in the various centers around the Nation. And of course, I will talk about critical partnerships in a moment.

Public Health Service AIDS Information and Education Plan

TARGET GROUPS

The public.
School and college aged.
Health care workers.
Groups at increased risk.

IMPLEMENTATION

Advertising campaign.
Health education.
Demonstration programs.
Clearinghouse.
Critical partnerships.
Develop information for educators.

[Chart 9]

AIDS INFORMATION AND EDUCATION PLAN

The Public Health Service AIDS information and education plan will be out very soon. It is in its final stages of getting approved and published. The information/education effort will focus upon these four groups:

The general public. It is so important for everyone to be aware of behavior that puts them at risk of infection.

We also want to focus on the school age and college age students, and young people, and inform and educate them on the importance of knowing how this disease is transmitted and its evolution.

Health care workers—the physicians, nurses, all the people in the health care industry—need to become better informed about AIDS and be able to pass that information on to their patients and people they serve.

And of course, the groups that are at increased risk or infected need to have information so they can know how to prevent transmitting the disease.

We are going to implement this plan with a very active advertising campaign through use of the media including the print media and the audiovisual, health education programs, demonstration programs, critical partnerships, and information for educators.

Senator Chiles. Just leave that chart there for a minute, if you will.

Tell me how much money you are going to talk about using to do this?

Dr. Windom. For the overall education program this year, we have $79.5 million in the 1987 budget and for next year we are requesting $103.9 million, for 1988, because we feel it is needed to carry out this program.

Senator CHILES. Doctor, given the fact that we do not have any mandatory testing program and given the fact that we do not have any vaccine or cure now, we are left with only one tool basically, until we can develop others, that being education and trying to get people to understand.

And when I look at the numbers and see what we are talking about by 1990—by 1991, the AIDS cost to the United States could be $66.4 billion, and we look at the other figures and we see up to 1 million cases of AIDS are predicted by the year 2000—that is in the survey that Lou Harris did.

Based on interviews with 227 scientists covering all major areas of medicine, biomedical research, they have predicted that we could have up to 1 million victims of AIDS by the year 2000.

And given those things, do you think we are really talking about an aggressive education plan? You know, we are spending about $1 billion in research in all of the other areas that we are talking about, and again we are back down here to less than $100 million that we are talking about for education.

It seems to me that that is the best arm that we have.

Dr. WINDOM. That is exactly right, Senator. And I want to let you know going back to 1981, when we knew nothing about the disease, we had zero dollars for education. Now we have $79.5 million. Next year we are proposing $103.9 million. That is one-tenth of $1 billion.

I want to point out that our information and education efforts, which have been going on for a number of years, are also interrelated very much, sir, with the cooperation of others, like the Red Cross and other voluntary agencies. The educational materials are out there.

So the $103.9 million we are requesting is magnified, multiplied, probably by at least 10 times or more. Therefore, we have to cooperate with all segments of the education community to get that word across.

And if we go from 1988 to 1991, as that $1 billion is projected at the rate we are going, $103.9 million next year, by 1991 may be——

Senator CHILES. Well, you know, I do not minimize what you have done and I compliment you on the way that you are going about it. But still we are reaching for a vaccine and we are reaching for some of these other areas and we do not know when we will have answers—again, 46 percent of the scientists feel that we will have a vaccine by the year 2000, 28 percent do not think that we will have it by the end of this century.

So we have well-meaning people, leaders in the research field, not knowing. We do know that trying to let people know how these diseases are transmitted and what they better do and what they better not do, that certainly has the greatest payoff. And we do not need to wait on that. That is something we know about.

Dr. WINDOM. We are trying to get all that information to people, to hopefully change their behavior in order to prevent transmission of the AIDS virus.

And I know that you and other Senators have discussed AIDS in public forums you have had in your State. Senator Weicker has done this too, and more. These public occasions to talk about this have become a means by which we can inform people. We need the help of everybody.

Senator WEICKER. Will the chairman yield?

Senator CHILES. Yes; and I want to say this, that the distinguished Senator from Connecticut who chaired this subcommittee has been a leader in the Senate and in the Congress, really, in trying to call our attention to this problem and trying to move up the timetable. And I think his efforts have moved up the timetable, and I certainly compliment him on that.

NATIONAL ACADEMY OF SCIENCES REPORT

Senator WEICKER. I thank the chairman.

To followup on the chairman's remarks, which I am in complete agreement with, if I am not mistaken the National Academy of Science report stated that $1 billion would be required on the education aspect of this situation by the year 1990. That was the National Academy of Science report.

So the way I view it, that report falls very much in line with the direction that the chairman's question is taking. That is, you are talking roughly a figure spread over the 3 years of $300 million a year for the next 3 fiscal years, not $74 million.

Dr. WINDOM. Senator Weicker, in that $1 billion by 1990, the report indicated this was combined Federal and other support for education and information. So it was not totally a recommendation of——

Senator WEICKER. But I think on a matter like this, obviously, there is media interest. I am not saying there is not. There is a dollar value you can place on that. But I think the point is well taken that under the most optimistic predictions, that is, that we will devise something to help slow down the spreading of the virus or the progression of the virus within the individual. That is something certainly that within the next year or two might be successful—a vaccine maybe by 1990.

Again, this is the only area which we can guarantee success in as long as we pursue it. I have got to state to you that I am afraid when it comes to these dollars, that they are going to have to come from the Federal Government.

Senator CHILES. Well, the trigger money. I think we have to trigger that we will have public education working, and the other things, too. But I think we will have to trigger it.

Senator WEICKER. I am not saying to you, all right, maybe we do not have to settle for the $300 million a year for the next 3 fiscal years. But considering the severity of the problem, I do not think that the subcommittee and the Congress ought to settle for $74 million this year, $100 million next year, and $200 million then the following year.

At best, you would be talking roughly about one-third of what the National Academy of Sciences are calling for in educational moneys. So

I would hope that we pursue this point the chairman has raised, because I think it is absolutely essential at this juncture of the battle.

Senator Chiles. Well, I think we know when you get into the labs there is only a certain amount of money that you can effectively spend in 1 year, and I do not want to see us give more than you can effectively spend. Somebody can always put on another graduate assistant or research assistant or something like that and find a way to use some money. But whether it is SDI or whether it is this research, there is some level, and we want to hear from you as to what that level is.

And I do not think we want to say you have got to spend more money. We are not trying to throw money away.

As Senator Weicker agrees, this is the area, the only area where we know the real payoff is. And rather than say we are going to take a long time in building this up in a slow buildup, I think we are going to want to talk with you further and see how can we develop this and get it out there.

I think our only opportunity of reducing these figures of 1 million victims by the year 2000 is to have people know what the heck is in store for them, what the disease can do to them, that we do not have any cure, and how it is transmitted, and what they can do to keep themselves from getting that disease and what they had better be doing.

Those kinds of things I think concern us greatly.

Dr. Windom. Education and dissemination of information is our prime target. And second, we are looking at all new ways to add to that, and the budget request for 1988 is about 30 percent more than this year, and we certainly want to use it properly.

I want to point out to you, you can get education to the person, but the person has to respond to it. So we need all kinds of ways to get at this problem.

Senator Chiles. Absolutely.

Senator Weicker. I just want to make a point, and I am not at all sensitive, very frankly, to ages in this situation. I want my children—I have two 8 year olds and a 7 year old—to know at the earliest possible moment, at this time the state of the art is such that if they get AIDS or other people get AIDS, they die, period.

I want them to know it, and they should know it.

CRITICAL PARTNERSHIPS FOR AIDS EFFORT

Federal Government.
State and local governments.
Voluntary organizations.
Colleges and universities.
Private enterprise.
Community organizations.

[CHART 10]

CRITICAL PARTNERSHIPS FOR AIDS EFFORT

Dr. Windom. That is very important, for you to stress that, Senator. I appreciate that. Keep getting that message out with us.

This is part of the important relationship we call our critical partnerships, demonstrating the fact that we do need the cooperation and the collaboration of so many others. Within the Federal Government, as we showed you earlier, we have our task force within our own Department, in HHS.

We have also coordinated efforts in the other departments in the Federal Government through the Federal Coordinating Committee that meets twice a month to keep people informed in the area of AIDS.

Within the Department of HHS we also have a task force working at possible ways to improve the delivery of health care to AIDS victims.

State and local governments are also important through their involvement. We have met with some States already, with the territorial and State leaders in health programs, State health departments and local people also, universities, the voluntary organizations, the Red Cross and the other groups, the gay rights groups, all of whom have worked so hard to help cooperate in getting information disseminated.

Colleges and universities have active educational programs going on to help inform people. Also, the private sector, business, industry, labor organizations are concerned about this disease and how it affects them.

And there are community organizations that play a part in the local level to help disseminate education.

UPDATE OF 1988 AIDS BUDGET

Senator CHILES. Doctor, your 1988 budget is based on the state of the information as of last August, when you submitted your budget to OMB. We understand neither the Department nor OMB cut your AIDS budget, is that correct?

Dr. WINDOM. Yes.

Senator CHILES. These are the numbers that you submitted to them, they did not cut those numbers?

Dr. WINDOM. That is right.

Senator CHILES. All right. Since nevertheless, knowing that those figures were developed last August, my understanding is that in March, the 23rd and 24th, Dr. Noble, you are going to be reviewing with all the Public Health Service agencies to learn their funding needs at that time, will you share that information with the subcommittee?

Dr. NOBLE. At that time.

Dr. WINDOM. After we have that, we certainly will.

Senator CHILES. I thank you. We want to operate on March information and not August information in an area like this.

Again, I am glad that OMB did not massage or cut your numbers.

Senator WEICKER. OMB did not cut the AIDS request. OMB cut everything else, including the basic research. And we are going to get to that point. That is a disgrace.

Mr. FORBUSH. I want to make one additional point on the numbers. We did amend our request after, following congressional action, and added money to the 1987 request. We did update 1988 to reflect the 1987 appropriation.

PUBLIC HEALTH SERVICE

ACQUIRED IMMUNE DEFICIENCY SYNDROME

[In millions of dollars]

	Fiscal year—				
	1984	1985	1986	1987	1988
Pathogenesis and clinical manifestations	45.6	61.0	88.2	146.7	184.3
Therapeutics	8.8	11.9	57.4	108.2	154.8
Vaccines	2.9	10.2	18.0	32.6	48.4
Public health control measures	4.1	25.3	54.6	95.0	120.9
(Information and education)	(1.4)	(6.5)	(31.4)	(79.5)	(103.9)
Patient care and health care needs	.1	.2	15.6	10.3	.8
Multidisciplinary research	NA	NA		22.7	24.3
Total, PHS	61.5	108.6	233.8	415.6	533.5

[CHART 11]

FUNCTIONAL CATEGORIES OF AIDS SPENDING

Dr. WINDOM. These are areas by functional category in the Public Health Service where money is spent for AIDS. This is a breakdown of these various categories: First, to understand the disease itself, more information is needed from research about transmission of the virus, about the cause, and how it is manifested clinically.

Next is the importance of therapeutics. Again, we have no drug that is a cure, but we have one now that has shown some definite improvement and we hope others will come along. There are a number of them in a trial period right now being evaluated, some 10 or 11, and they are in that process. We hope some of these will prove to be effective.

Then there are vaccines. As I pointed out, research is going on. However, we must realize that once a vaccine is tested even in animals and then in human beings, it takes a long time to get it out to the general public.

Public health control measures include our information and education activities. Then there is health care needs, and finally multidisciplinary research.

DEVELOPMENT OF THE 1988 PRESIDENT'S BUDGET

Senator WEICKER. I assume the chairman would like to do this, as the charts are in front of us.

Senator CHILES. Yes; go ahead.

Senator WEICKER. Would you give to us the increase in AIDS funding that was requested and was granted by OMB, and then would you please tell us the funding cut that was proposed vis-a-vis basic biomedical research?

Dr. WINDOM. The biomedical research budget for the National Institutes of Health includes $334 million that is requested to be taken from the 1987 budget and transferred over to the 1988.

However, Senator, I want to take this opportunity to first congratulate you on what you have done to help us. Your presentation at the centennial celebration at the NIH, demonstrated how much you are behind that support and how important it is to us.

This year, 1987, our budget proposal would still have the highest total number of awards ever, 19,111, although there would be a decrease in the percentage of the increase in the average cost of those funded. But that will still be the highest number of awards.

Senator WEICKER. Am I correct in saying that the 1988 budget proposal cuts basic biomedical research by $300 million?

Dr. WINDOM. It cuts the funding to the National Institutes of Health, which conducts the great majority of the biomedical research in the Public Health Service.

Senator WEICKER. May I cite one thing? The poll—the Lou Harris poll that was quoted by Senator Chiles—states the top priority for American biomedical research should be basic fundamental research, with emphasis on studies of cell biology and cancer science. This is the same one that hit upon the AIDS.

Would you please tell me what sense it makes to increase the funding for AIDS while you cut the budget for basic biomedical research? Is that not really a twin effort that should go on both tracks?

Dr. WINDOM. We feel that the funding for AIDS research is not going to alter the biomedical research that even overlaps into AIDS. So we do not feel that there is going to be any compromise.

Senator WEICKER. Did you request the $300 million cut in basic biomedical research to OMB? Did you request it?

Dr. WINDOM. Yes; the administration requested this.

Senator WEICKER. You requested it? It was not something that OMB devised?

Dr. WINDOM. It was developed in our budget process.

Mr. LITTLE. I think on the history of the request, that there was approximately a $350 million cut in OMB of the request that the Department made or the Public Health Service made.

Senator WEICKER. I thank you for that answer. That is an honest answer.

Now I would like to know what scientific genius in OMB came to that decision. Who with medical qualifications made the decision to cut $350 million from biomedical research?

[Pause.]

Senator WEICKER. Do we have OMB here? We have no one from OMB here?

Dr. WINDOM. No.

Senator WEICKER. Who made the decision? Was it anybody with medical credentials that made this decision?

Dr. WINDOM. This was their decision, based on all of the budget.

Senator WEICKER. Thank you very much, Dr. Windom. And I thank you very much, Mr. Little, also.

Let me say, I have never had anything but candor from you and from those who work with you on this, and I appreciate that. I do not mean to intimate that these were your decisions.

But boy, I am not going to let somebody get away with what has been done here in OMB. That is devastating.

Senator CHILES. We will be going into that with NIH next week.

Senator WEICKER. You see those fellows from OMB more than I do in front of your Budget Committee.

Senator CHILES. Yes.

Senator WEICKER. You might ask them the question. They are the ones that are doing it, not the men and women of medicine. They are not doing it. OMB.

Senator DOMENICI. We have not seen OMB in a month or so.

AIDS SUMMARY

PHS executive task force coordination.
Virus 1984/blood 1985.

	1986		1991	
	United States	Worldwide	United States	Worldwide
Cases	29,137		270,000	
Deaths	15,481		179,000	
Virus +	1.5 million	5–10 million		50–100 million

Education/prevention.
Treatment—drugs and vaccines.
Critical partnerships—United States and foreign.
Medical/social/family/individual.

[CHART 12]

SUMMARY OF AIDS ACTIVITIES

Dr. WINDOM. Senator Chiles, Senator Weicker, and Senator Domenici, this is our last graph and it summarizes what I have given to you from the others. And I think you will be impressed with the fact that from 1981, in less than 6 years, had the biomedical research infrastructure not been established with our National Institutes of Health and others, we would not have been able to progress as rapidly as we did with the cooperation of scientists in the private sector also.

We would not be where we are today, in this short period of time, with any disease had it occurred before this time.

Right now in this country we are up to 31,000 cases of AIDS, reported deaths are up to 17,000, and we predict 1.5 million people are infected with the virus, up to 5 to 10 million worldwide. By 1991, we estimate 50 to 100 million people worldwide will be infected, based on the information we have now.

These are the major points again we plan to stress: education and prevention, our No. 1 effort; the treatment programs, which are so important to come forth with some result; our critical partnerships, including the United States, and foreign governments and all of the subsets throughout the grassroots level; and medical, social, particularly family and individual responsibility as we all face this devastating disease.

Senator, that is the extent of our——

RATE OF INFECTION

Senator CHILES. Let me ask you, from the blood screening done by the Red Cross and the Defense Department, what do we know about the number of people now infected? And can you tell us or your scientists tell us anything? Is the rate of infection still going up or is it stabilizing? Where do we stand now in regard to the rate of infection?

We know there is this period of time before the actual symptoms show up.

Dr. WINDOM. There is an increased rate of infection, but the real problem we have, Senator, is the fact that as heterosexual transmission occurs more frequently, people are going to be infected and not know it. And therefore, we feel that individuals must take responsibility to seek testing in order to find these answers. And we hope the people will subject themselves voluntarily.

The evidence is that we are seeing an increase in the rate of infection.

Senator CHILES. Senator Domenici, do you have some questions?

Senator DOMENICI. No.

SEXUALLY TRANSMITTED DISEASES

Senator CHILES. I am acutely aware of the need for control and prevention of sexually transmitted diseases. We see some alarming rises in statistics in Florida, doctor, as you know. In 1986, almost one-half of the Nation's penicillin resistant gonorrhea occurred in Florida. It was reported in 55 of our 67 counties.

Florida has the highest rate of infection of syphilis in the United States, 37.6 cases per 100,000, and that rate increased 21 percent. In 1986, the incidence of congenital syphilis, a totally preventable disease, increased 222 percent, to 100 cases. Of the 100 reported cases in 1986, 24 ended in fetal or infant death.

Do those risks suggest that Florida is at a special risk for the spread of AIDS?

Dr. WINDOM. Well, Senator, I agree with you, I do not think either one of us can be proud of those facts. I think we also realize that the State of Florida, because of where it is located and the transient population and the rapid influx in the population from multiple national and international sources, creates the environment that has a great effect on the changing statistics that you have given to us.

And I know that the increased rates of sexually transmitted diseases in Florida places its population at greater risk of acquiring AIDS also.

Senator CHILES. So we are at greater risk?

Dr. WINDOM. Yes, sir.

Senator CHILES. You know, I do not like to talk about these figures, but it is a concern we have to face. They are there. We know that there are a lot of reasons. One, of course, is the tremendous in-migration, the tremendous tourist people that come in, and then, of course, the incidence that we have had of aliens, Haitians, and others, many of whom have been transmitters or carriers of these diseases.

Why is the administration proposing a $4 million or an 8-percent cut in grant funding from last year's appropriated amount of $50 million for the prevention of sexually transmitted diseases?

Dr. WINDOM. I would like to refer that, if I may, to Dr. Mason, who is the Director of the CDC, to help explain that.

Dr. MASON. It is true that the money available to States for sexually transmitted disease grants will decrease by $4 million in the proposed 1988 budget. This is a matter of again dealing with a budget deficit; therefore, the administration felt that the area is one where we ought to try to reduce expenditures by being more effective in the way we apply those funds.

Senator CHILES. That is a good answer, but I am not sure that it plays, doctor. I want to look at that.

HEALTH CARE COSTS FOR TREATING AIDS PATIENTS

Doctor, I recently read a report that the Public Health Service is projecting that the direct cost of care for AIDS patients in 1991 will be $8 to $16 billion, the average hospital cost for AIDS treatment ranged from $50,000 to $150,000 per patient.

And I also saw a recent newsletter that suggested the Department has projected an increase in Medicaid spending of between $5 and $10 billion during the next 5 years from AIDS treatment.

Now, we know now that Medicaid already covers some 13,000 cases of AIDS a year at a total cost of $400 million. And my question to you is, what is the Federal responsibility for supporting the cost of treatment for AIDS patients?

Dr. WINDOM. Well, Senator, we are looking at these various estimates and how the treatment of AIDS patients can be improved. The figure of $50,000 to $150,000 per patient was given in the past, but there are some studies now that show it may be down to $30,000 by using alternate means of health care delivery.

So we are very concerned about this, and also the tremendous impact it will have upon the Federal Government and the States.

Senator CHILES. Well, would you provide for the record what you project are the current direct and future direct medical costs of providing health care for people with AIDS?

Dr. WINDOM. Well, the figure, as you said, that $8 to $16 billion, is the estimation for 1991. And we are hoping that Medicaid coverage is able to take care of a number of individuals. Medicare will be taking care of some, but there is a waiting period of 2 years to get into the system.

It will take a number of efforts by many of us to see how best that money can be obtained.

OTHER FEDERAL GOVERNMENT AIDS EFFORTS

Senator CHILES. I know that your AIDS responsibility extends beyond the Public Health Service. You chair a Governmentwide coordinating effort. Tell the subcommittee briefly what these other Federal agencies are doing in the war on AIDS?

Dr. WINDOM. The Department of Defense is screening their recruits and all active duty members of the military services to see the degree to which there may be a positive incidence of the disease. This is because of their concern of having to perform emergency transfusions, especially for those serving in foreign countries. The Department of Defense is actively involved in that area.

The Veterans Administration is involved in treatment programs quite extensively because a number of patients with AIDS are veterans.

Also, the Health Care Financing Administration is involved in the Medicare and Medicaid programs that pay treatment expenses for qualified AIDS patients. So it is a broad basis of involvement.

RISK OF INFECTION FROM PROSTITUTES

Senator CHILES. Doctor, I notice from the morning's paper that a fairly small sample, but a sample of 36 prostitutes in Washington, DC, showed that 50 percent of them were infected with AIDS. A similar, much broader sample in Miami, I think of over 400 prostitutes, had 17 percent affected.

What advice would you give anybody that is coming to Washington or to Miami, to a convention, that might be thinking about involving themselves in a little extracurricular activity?

Dr. WINDOM. I would advise them to involve themselves in an extracurricular activity of some other mechanism besides that.

Dr. Mason may wish to answer anything about that.

Dr. MASON. I certainly would agree. I think there is a risk with that proportion of prostitutes in many of our urban areas being infected.

Senator CHILES. Do those figures meet with what you are seeing across the country?

Dr. MASON. We have tested prostitutes across the Nation. Our sample is not large, but among the over 700 prostitutes tested the percent infected varies from zero percent in some of the Midwestern areas to as high as 60 percent in New Jersey. I believe the figures in Florida, overall, are about 17 to 19 percent. The limited data we have shows the rate may be as high as 40 percent in Miami itself.

Senator CHILES. That may be a Statewide figure?

Dr. MASON. Yes.

Senator CHILES. I think we will move into infant mortality.

BIOMEDICAL RESEARCH EFFORTS

Senator WEICKER. Mr. Chairman, if I might add a few more questions.

Both you and I would agree, Dr. Windom, that basic biomedical research is essential to any efforts toward finding treatments and cures for AIDS, just as it is for cancer or Alzheimer's or heart disease. How do you respond to the National Academy of Science statement—and I now quote:

> Any increase in dollars for AIDS research must be newly appropriated, not money taken from other research, because the Nation's general health efforts as well as those directed against AIDS need continuing progress in basic biomedical science on a broad front.

And this gets to the issue that I raised before, that what we are talking about in the increase in AIDS money as proposed in your budget comes at the expense of basic biomedical research.

Would you agree with the National Academy of Science statement that the moneys for AIDS should be newly appropriated and not taken out of other accounts?

Dr. WINDOM. Senator, that would be ideal and would be helpful. But I think as we have to look into the realities of the increased demands so greatly imposed on our health care system, that there has to be some modification to reshift and realign to stay within a range, but still not to compromise, not to lessen the contribution of the money we give for biomedical research.

And I feel that we can continue to do that in this process.

Senator WEICKER. We are about ready to launch into a major effort here between the administration and Congress in catastrophic health insurance. Now the point I am trying to make in the following statistic is that we would be better off putting our money up front. That is, at the present time health care costs in this country are $2,000 per person, whereas health research is $25 per person—$25 per person.

I daresay that if we doubled that research effort at the beginning of the process you would save yourself a lot of dollars throughout the rest of the process—including the end, or in other words the catastrophic health insurance. Would you agree with that?

Dr. WINDOM. I would agree, and also stress the benefits of prevention through education and information dissemination to reach that goal.

MASS MAILING ON AIDS

Senator WEICKER. Recent press reports indicate that the Centers for Disease Control have an interest in undertaking a mass mailing of material to every household in the United States regarding AIDS information and prevention efforts. What is the status of this?

Do you have any idea of its costs? Do you have the money to make such a mailing, et cetera?

Dr. WINDOM. Senator, in response to that, that just demonstrates the fact that almost daily we are looking at new ways to transmit our information. Yes; a request has been made to us by the CDC. It has been done in England, I understand in Hungary, and possibly other countries, where mass mailing has been used as a means to transmit information.

Now, CDC has looked at this. They are proposing this to us. We have not had a chance yet to look at all of the impact that it might have. The Secretary has testified that the budget request meets all of our AIDS requirements today, but tomorrow as we look at these things we may need more.

At this point we feel that it is within our budget, but if we have to add more, we would have to approach that.

Senator WEICKER. Are you considering mailing the Surgeon General's report to every household?

Dr. WINDOM. It would not be that extensive because of cost factors. We would try to make it at least informative enough so the person receiving it would know where they could go further for more information. It would be something with a general overall view.

AIDS VACCINE LIABILITY

Senator WEICKER. I have been told that we may not be progressing as quickly as we could in developing an AIDS vaccine because many private companies are concerned about vaccine liability. We have been through this exercise just on the DPT vaccine.

I can imagine what it is going to be vis-a-vis an AIDS vaccine. Have you looked into this issue, and do you feel this is something the Congress ought to address to expedite both the research into the vaccines and the production of vaccines?

Is this something that should be covered legislatively if we are to get additional progress on this front?

Dr. WINDOM. That proposal, Senator, is being reviewed by our legal counsel from the liability aspect because it is a major concern like other immunizations, as you say. At this point we have not reached a decision. But it is something that is being looked at to see what would be best and whether we need congressional action or not.

STATUS OF AIDS TREATMENT EVALUATIONS

Senator WEICKER. This is my last question on the AIDS matter. Maybe Dr. Fauci would like to give us a quick report on the status of the AIDS experimental drug program. Have all the treatment evaluation units been set up. How many patients are participating. What is the status and development of other drugs, such as ribovirin?

Indeed, I would like to even hear where we sit on the matter of AZT. I think that would be of interest to the committee.

Dr. FAUCI. Since the demonstration of late summer 1986 that AZT was effective in a small number of patients, we conducted a double-blind placebo controlled trial of 280 patients with AIDS and *Pneumocystis carinii* pneumonia and serious AIDS-related complex in which 16 patients who received placebo died and only 1 patient who received drugs died. Since that time, a treatment IND, which means the drug is made available to individuals who fall within the category of AIDS and *Pneumocystis carinii* pneumonia, has been put into effect and has been jointly administered by the NIH and the Burroughs-Welcome Co.

Within that group, as of last count, between 4,000 and 5,000 individuals have been given the drug through that mechanism.

Now, with regard to the treatment evaluation units, a number of protocols had been originally drawn up which had not included AZT, because it was unknown at that time that AZT was effective. Since that time, the protocols have been modified to either include AZT as a limb of the protocol or to test AZT in other types of cases, not just AIDS with *Pneumocystis carinii* pneumonia. For example, we have tested AZT with kaposis sarcoma, AIDS in pediatrics, AIDS dementia, and in varying doses. Although there has been a lot of publicity, some justifiably so, about AZT, the fact is it is not proven to be a cure.

It has been shown to be helpful in a limited number of patients for a limited period of time. There still is a supply problem with AZT, but as the supply problem is alleviated, the drug will be studied more extensively in the treatment evaluation units.

Notwithstanding that, there are currently two active protocols with AZT which will accumulate within the next few months between 400 and 500 patients. As of last count, there were about 250 patients in that.

We have about three or four other protocols that have been approved by the clinical research boards of the various institutions, and they will be ready to be executed. I would project to you, Senator Weicker, that probably June of this year there will be about 1,000 people in those protocols.

The other drugs that are being developed, for example dideoxycytidine, which is now being tested at the NIH by the National Cancer Institute, has accrued about 10 patients and will be expanded into the treatment evaluation units. So we will be having a transfer of the dideoxycytidine studies into the treatment evaluation units.

Ribavirin is another drug that has received some attention. The data on ribavirin has been submitted to the FDA and is under consideration by the FDA. In the meanwhile, we have drawn up protocols and we will be testing ribavirin in our treatment evaluation units.

Those are the drugs that are on the line right now. There are five or six additional drugs that have been submitted to the clinical drug selection committee of the NIH to develop protocols for treatment evaluation units.

That is with regard to testing. As you well know, the national cooperative drug discovery groups which were funded from last year's appropriation and which were increased on the basis of the $47 million amendment to our 1987 appropriations are now being developed, and we have a number of excellent applications.

The purpose of that particular approach would be to use a multidisciplinary, multiinstitutional approach of basic science to target antiviral therapy. When those drugs are ready, they too will be fed into the treatment evaluation units.

Senator WEICKER. From the time that some promise was held out in terms of AZT—roughly about 1 year ago when that came to the fore—can you report that there has been progress in the area of preventing either the spreading of the virus or the progress of the virus within an individual?

In other words, are we better off as we are now sitting here talking, in layman's language, or are we roughly in the same stage where we were 1 year ago in assessing the effectiveness of either AZT or any of the rest of these?

Dr. FAUCI. We are certainly better off. One of the main stumbling blocks to determining whether a given agent in the patient blocks the replication of the virus is that the very means whereby you attempt to isolate the virus is one that stimulates latent virus to express itself.

And very simply, in layman's language, that means that you may be suppressing the active production of the virus, but you would not notice that by the means that are used to detect that.

We have developed since then very sensitive assays for not the replication of the virus, but some of the products of the virus. We call that an antigen capture assay. Now, on the basis of that assay, it appears, in fact, it looks like it certainly will be the case, that the antiviral agents that we are testing are, in fact, suppressing the virus.

So not only are we seeing an obvious clinical effect, but we are seeing suppression of the virus itself. So we certainly are better off now than we were the last time we discussed this at a committee meeting.

Senator CHILES. Senator Domenici.

NEW EFFORTS FOR A SOLUTION TO AIDS

Senator DOMENICI. Thank you, Mr. Chairman.

Let me just ask either Dr. Windom or Dr. Noble a question. I understand that we are trying as a Nation to put together a task force type effort to address this terribly complicated issue. Could I ask, have you in your testimony—and I do not want you to repeat it if you have—or do any members accompanying you, have other suggestions as to how our National Government might better mobilize its resources, organizationally, or otherwise, to declare war on AIDS?

Dr. WINDOM. Senator, I feel that the President is certainly behind this, as is the administration, and you and Congress are. We need to work in a very strong cooperative effort, however, we can to make it apparent this is our No. 1 health threat in the Nation.

We have ongoing programs within the structure to do this in Government and cooperative efforts outside. So I think we just need to continue that effort with all the help we can get, working together.

Senator DOMENICI. So you have no further suggestions with reference to Congress helping you and the medical profession mobilize against AIDS in an effort to find a solution?

Dr. WINDOM. Senator, we have considered ourselves, within the Department, as to having an advisory board, for example, or an overview committee made up of various representatives of the multiple sectors of society, in and out of Government. This has also been proposed in Congress, I understand, and in the Senate there are some bills to that effect, that a commission be established.

We feel that that would be good and that we should work together, with both the Public Health Service and the Department, to develop the appropriate relationship to that entity. The proposal is in a developmental stage and it is being looked at to come up with the best type of structure.

Senator DOMENICI. Doctor, with reference to the NIH intramural program, have there been any changes in the structure so as to cause more focus on AIDS research within the NIH during the past 6 or 8 months? And if so, could you describe them?

Dr. FAUCI. Certainly. What we have in the NIH is the counterpart of the Executive task force that was just addressed during the presentation at the Public Health Service level. We have the representatives from the appropriate institutes that are involved in research, who meet every 2 weeks in both information exchange and coordination of research.

In addition to that, we have established a vaccine scientific working group in which we have scientists in the intramural program who meet regularly discussing the science of vaccine development and ultimately vaccine testing. We also have groups, one where the lead role is taken by the National Cancer Institute [NCI] in drug screening and drug development, and another in drug testing by the National Institute of Allergy and Infectious Diseases.

So there are a number of groups involved in bringing together scientists closer at the scientific level, as well as the overall coordination at the NIH level. And that is transferred to the Public Health Service level when we represent those groups at the Public Health Service task force.

Senator DOMENICI. Dr. Windom, whose job might it be within the Government to extend the areas of inquiry to the general scientists of this country, even though they may appear on the surface to be very far removed from health care? Is that your job?

Let me just be specific. It is entirely possible that the multidisciplined scientists at Lawrence Livermore Laboratory or Los Alamos Scientific Laboratory, have basic scientific information that might be relevant to AIDS research. They ought to at least be asked to focus on this basic problem.

Is that being done, and if not, why not? And if it is, whose job is it?

Dr. WINDOM. It is being done, Senator, and it is my job as the Assistant Secretary for Health to do this through our agencies. About 80 percent of research dollars leaves the Washington area and goes out to the centers where most research is being conducted. Cooperative efforts among scientists throughout the Nation are a very integral part of this interrelationship.

Senator DOMENICI. I raise the issue because I was telling the chairman, and I am sorry I do not have the specific numbers, that I was recently briefed at one of the national science labs. One of their scientists who is an expert at projections said that these numbers you are giving us in terms of how widespread AIDS is, and how bad it will be 15 years from now, are way underestimated, according to people using other scientific data than you are using.

Dr. WINDOM. Senator, I think you will find there will be a difference of opinion among scientists, among all of us in a sense, because no one really knows that answer. It is the best projections we can put together, but there will be others looking at those projections, because they are intangibles to a certain degree.

But we realize it is going to be a monumental health problem, and just how big is anybody's guess.

Senator DOMENICI. Thank you very much.

Senator CHILES. Senator Harkin.

USER LIAISON PROGRAM

Senator HARKIN. Thank you.

I have some other questions about the AIDS program and also about what is happening with Parkinson's disease research and some of the new drugs being used on that. I would like to submit those for the record, Mr. Chairman.

I just have one question I would like to ask Dr. Windom right now, and that has to do with the User Liaison Program. Perhaps some of your staff may know about it. The user liaison staff as I understand translates esoteric research in the health field into applicable projects and pulls together and disseminates useful research and statistics to help States with their projects.

In my State, the Iowa Human Services Department has a very close working relationship with this staff and has found the service invaluable. The user liaison staff has been a major force behind Medicaid cost containment in Iowa, has helped Iowa develop HMO's, and has helped put indigent care programs together.

I would just like to ask, what is the funding level for the User Liaison Program?

Dr. WINDOM. Senator, I have some answers to that question that were put together, if I may read this to you or supply it for the record, either way. I will be glad to read it to you.

In fiscal 1986, the User Liaison Program [ULP] was restructured to serve as an in-house resource for State and local government officials seeking research findings relevant to their policy and operational programs. This links such officials with health services researchers on a local and regional basis throughout the country.

There are 35 health services research centers in 28 States. Federal staff will refer State and local officials to these centers most geographically convenient—do you wish me to go on on that?

Senator HARKIN. No; what is the funding level?

Dr. WINDOM. The funding level for 1987 is $1.5 million.

Senator HARKIN. $1.5 million for fiscal year 1987?

Dr. WINDOM. Yes, sir.

Senator HARKIN. What are you asking for in the budget next year?

Dr. WINDOM. $1.5 million, the same as last year.

Senator HARKIN. Fiscal year 1988 is $1.5 million for the User Liaison Program?

Dr. WINDOM. Yes, sir.

Senator HARKIN. That is all I want to know. You can submit the rest of that for the record. Thank you very much.

[The information follows:]

ULP funding is $262,000 in 1987 and $265,000 in 1988. The authorizing legislation requires that 10 percent or $1.5 million, whichever is less, of the amount appropriated be spent for three activities: (1) ULP, (2) technical assistance, and (3) dissemination.

INFANT MORTALITY

Senator CHILES. Thank you. Your questions will be submitted for the record.

Dr. Windom, the statistics concerning the rate of infant mortality in the United States are very discouraging. Nationally the rate is 11 deaths per 1,000 births. The death rate for black infants is nearly double that of whites.

We know much of that cause. It is low birth weight babies. We know much of the cause of low birth weight babies is teenage pregnancy—young girls are often physically and emotionally ill-prepared to bear a child—poverty; not getting the proper medical care during pregnancy or not knowing what that proper medical care should be; alcohol and drug abuse; not eating properly.

What is the Public Health Service doing to reduce infant mortality, and how are these programs coordinated within the Public Health Service?

Dr. WINDOM. First let me commend you on your leadership, as you were a very integral part of the formation of the National Commission to Prevent Infant Mortality. And I am aware of your concern about this, and we certainly are too within the Department.

The 1988 budget includes $89 million to be spent on specific infant mortality initiatives to determine how we can reduce this incidence. This is an increase of $2 million over 1987 and $10 million over 1986, so we are escalating our own departmental budget for that.

Indirectly, the Public Health Service will spend over $2 billion that relates to programs which have some effect on reducing infant mortality rates. In addition, the Department is launching a new $85 million Medicaid demonstration initiative to help identify better ways for managing the prenatal services for low-income women. We hope this will reduce the incidence of infant mortality and low birth weights.

So there is a very active and cooperative arrangement within our own Department seeking ways to improve these statistics.

Senator CHILES. You mentioned the commission that was enacted into law last year. And as you know, the purpose is to make recommendations for national policy design to reduce and prevent infant mortality. I think we need to stand back and see what we are doing now and whether it is adequate and effective and what we can do better to make these changes, to reduce the incidence of low birth weight.

It is sort of tragic for this country, with all its resources, to find itself either 17th or 19th among the list of nations.

Dr. WINDOM. We are 15th now.

Senator CHILES. I know that number has changed. Well, 15th. To think that you have a better chance of your child reaching its first birthday in Singapore or Hong Kong or some of these other countries as opposed to the United States is tragic.

We, of course, want to see the commission funded this year, and we would certainly like to have your comments and suggestions for the problem that the commission should tackle, particularly relating to the coordination of efforts.

Dr. WINDOM. Since the commission is already ongoing and the work that we are doing is underway and continuing, I feel we need to get together with staff and individuals to discuss the ways in which we can interrelate and most effectively approach this.

Senator CHILES. I thank you. I have a number of other questions for the record.

Senator Weicker.

FAMILY PLANNING

Senator WEICKER. Thank you very much, Mr. Chairman.

Dr. Windom, on February 5 Secretary Bowen issued a memo to the HHS regional administrators to clarify the confusion that had been created by an earlier memorandum issued by Jo Ann Gasper, the Deputy Assistant Secretary for Population Affairs.

Ms. Gasper's memo directed regional administrators to cut off family planning funds to Planned Parenthood because of her belief that the organization advocates abortion. While the clarification issued by Secretary Bowen did not clearly repudiate Ms. Gasper's directive, he has indicated publicly that no change was intended in the administration's current policy with regard to title 10.

Now, I remind you Dr. Windom, that the conferees on the fiscal year 1987 Labor-HHS appropriations bill included language directing the Department to refrain from making further changes in the title 10 program with respect to counseling and referral for abortions. That is the law today.

In light of these recent events, can you assure me that HHS has, in fact, abandoned its efforts to change the title 10 guidelines, and will not engage in a systematic effort to eliminate Planned Parenthood from participation in the program?

Dr. WINDOM. Senator, the Secretary and I are continuing to look at the program to see that it meets the legal requirements that have been established. This is being looked at in an ongoing process in complying with the intent of Congress and within the statute.

Senator WEICKER. Is it safe for Congress to assume that with the administration's recent submission of legislation prohibiting recipients of title 10 funds from performing or referring for abortion, there will be no further attempts to change title 10 policy by administrative fiat?

I have no problem with the legislation being submitted. Obviously I am in opposition to it, but that is neither here nor there. That is the way to go ahead and achieve that particular end—not by administrative fiat—especially when it totally contradicts the law as established by the Congress and signed by the President.

Now, where do we stand on this? Are we fulfilling the law as it now sits—not as we want to have it, but as it is now written?

Dr. WINDOM. Yes, sir; we feel we are fulfilling the law.

Senator WEICKER. One last question along that line. I was pleased to see that the usual administration proposal to combine community health centers, maternal and child health programs, and family planning into one block grant was not part of this year's budget request.

However, I noticed that this year the administration proposes to take family planning out of the Health Resources and Services Administration and put it instead in the Assistant Secretary's account, and then you block grant it.

Why did you transfer the program out of the Health Resources and Services Administration?

Dr. WINDOM. We feel the block grant proposal could be more effectively administered by the individual States.

Senator WEICKER. What changes do you propose in the block grant approach?

Dr. WINDOM. The program has been administered through the Office of the Assistant Secretary for Health with a Deputy Assistant Secretary involved in the direction of the program, and the proposal for the budget—if I might——

Mr. LITTLE. Senator Weicker, may I add a little bit? In past years, as you have noted, we have been proposing a block grant program including community health centers and the Family Planning Program.

For presentation purposes, we included it in the HRSA account as a single block program. The Family Planning Program, as Dr. Windom says, has been operating out of the Office of the Assistant Secretary of Health for some time now.

So when we decided to propose to you a separate block for family planning, it seemed reasonable to place the resources in the budget with the Family Planning organization, and we, therefore, moved it out of the HRSA account.

Senator WEICKER. Will Jo Ann Gasper be administering the program and overseeing the proposed changes?

Dr. WINDOM. Yes, sir.

Senator WEICKER. How can someone who has already violated the law be charged with that responsibility? Her directive was in clear violation of the law as written—again, not the law as we would like to see it. I am not asking anybody to take sides on that issue. But the law as it presently exists, which makes it clearly improper for counseling and referral, not the performing of abortions but counseling and referral is within the law.

And the directive that she sent certainly did not fall within the law.

Dr. WINDOM. That directive was retracted and the process since that time has been to carry out the function——

Senator WEICKER. That means we are all going to have to watch Jo Ann Gasper for the rest of this term, now that this program is——

Mr. LITTLE. If I may interrupt, I believe the report language provided by the Congress directed that there be no change in the policy in which we operate the Family Planning Program. And, in fact, I believe that is what is at issue, and that is why Dr. Windom decided to——

Senator WEICKER. My response to that is, if indeed the administration felt the administrative directive was sufficient then they would not have to propose legislation—which they have—which changes the law. They proposed legislation where in effect title 10 funds cannot be used for either the performance of or referring for an abortion. That, however, is not the law as it is written today.

Mr. LITTLE. That is not the law.

Senator WEICKER. That is to me a recognition, then, that that is the route which has to be traveled, not by virtue of administrative fiat, either by Ms. Gasper or by anybody else in the administration.

Mr. LITTLE. I agree with you.

Senator WEICKER. Again, at this juncture, counseling and referral—if it is employed by any agency—does not cut them off from Federal funds. Is that right?

Dr. WINDOM. Yes.

Senator WEICKER. Thank you very much.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. Thank you very much, Dr. Windom. We appreciate your testimony. We have some other questions. We will submit them for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

INFANT MORTALITY

Question. What is the Public Health Service doing to reduce infant mortality?

Answer. Infant mortality continues to be a prime program interest. The substantial year-to-year improvements which have long characterized infant mortality trends in the United States have slowed during the last two years. In the face of these indicators, and in the light of a continuing racial disparity in infant mortality rates, the Public Health Service (PHS) has undertaken significant efforts to meet the infant mortality problem, as well as its major cause, low weight births.

Service Programs

- o The Maternal and Child Health (MCH) Services Block Grant authorizes annual appropriations for allocation to 57 eligible jurisdictions and provides each State the authority to allocate resources based upon its own needs assessments and priorities in order to assure access to maternal health services of good quality and to reduce infant mortality--especially by providing prenatal care and preventive services. In addition, the MCH program supports a wide range of activities to strengthen the capacity of the States to improve health status outcomes for mothers and children.

- o Community Health Centers (CHC) and Migrant Health projects provide prenatal care to medically underserved pregnant women and are implementing a perinatal initiative to ensure delivery of high quality maternal and infant health services. Recent activities include publication and promotion of guidance materials for development of perinatal services in community health centers and stimulating the development of service systems in rural areas.

- o The Indian Health Service, working with tribal health departments, private practitioners and national professional organizations, provides comprehensive maternal and child health services. Emphasis is on early identification of pregnant women and entrance to care, especially for the teenage population. Attention has been given to regionalization of perinatal care to assure appropriate levels of care and to the prevention of fetal alcohol syndrome or effects among Native Americans. Over the past decade, the improvement in infant mortality rates for Native Americans has been proportionally greater than for Blacks, Whites, or the U.S. population as a whole.

Demonstrations

- o Grants for special projects of regional and national significance (SPRANS) are funded by DMCH to improve health status outcomes for mothers and children. In FY 1985 approximately 3 million new dollars were awarded for projects focused on pregnancy and infant care targeting gaps in the service system ultimately to improve services to high risk populations. The projects focus on aspects such as tracking mechanisms, low birthweight prevention, and a mechanism for delivering services in rural areas. In FY 1986 1.5 million new dollars were awarded for issues of high priority, such as postneonatal mortality reduction, promotion of early and continuous prenatal care.

- CDC is supporting three demonstration projects on smoking cessation in pregnancy in Colorado, Maryland, and Missouri.
- The Office of Minority Health/OASH will support projects focused on utilizing community coalitions to address minority health issues.

Research

- The Division of Maternal and Child Health supports multiple studies related to perinatal health. Current projects are designed to:
  - develop specific methodologies to investigate behavioral issues associated with entering prenatal care;
  - assess effect of DRGs on perinatal regionalization;
  - study the impact of pesticide exposure during pregnancy on specific adverse reproductive outcomes;
  - examine the impact of financing policy on access to prenatal care and pregnancy outcomes for the poor, uninsured, and medically indigent;
  - study uterine contractions throughout pregnancy in normal and high risk women using a newly developed external monitoring device. This study represents an important first step in determining whether preterm labor and subsequent delivery are associated with particular patterns of uterine activity.
- The National Institute of Child Health and Human Development (NICHD) has implemented a special research initiative focused on the prevention of LBW and its etiology. Current activities include establishing two parallel research networks of ten Maternal-Fetal Medicine and ten Neonatal Intensive Care Units that will use common protocols to examine clinical issues such as premature rupture of membranes and the efficacy of vitamin E in illness prevention.

Data and Surveillance

- The PHS recognizes that a national system which links infant death and birth records is crucial to our ability to effectively monitor trends and identify high risk populations. The National Center for Health Statistics (NCHS) has plans to have an ongoing national system operational by 1987. Meanwhile NCHS has signed cooperative agreements with States to link records from 1983-1986.

- NCHS, in collaboration with other agencies, also will institute a 1988 National Maternal and Infant Health Survey to collect data on births, fetal deaths and infant deaths. This survey will capture information on items not previously available on a national sample, e.g., Hispanic subgroup data.

- A National Infant Mortality Surveillance was jointly sponsored by the Centers for Disease Control (CDC), NICHD, NCHS, and DMCH to provide measures of survival likelihood for specific birthweight to categories and maternal characteristics for each State and the Nation as a whole. A national conference for State MCH and vital registrar staff considering the implications of these data was held in the Spring of 1986. Data are to be published in Public Health Reports.

- Currently funded SPRANS support a program of data projects to develop a common data set for States in the southeast; to develop and demonstrate an integrated system of maternal and child health data in Rhode Island; to develop a state-wide data management system which links State and local program information in Ohio; and to develop prenatal care needs assessment instruments for States.

Public and Professional Communication/Education

- All of the PHS agencies are supporting the National Healthy Mothers, Healthy Babies Coalition. In addition to the effort to develop public education materials directed toward low income women to promote healthy behaviors, current emphasis is directed toward the development of State Coalitions to promote relevant activities at local levels.

- The Coalition is distributing A Compendium of Program Ideas for Serving Low Income Women, and a substance abuse kit for health professionals will be disseminated in the Spring.

- Cross-Cultural Counseling: A Guide for Nutrition and Health Counselors is a publication jointly written and distributed across the country by the Department of Agriculture and the Department of Health and Human Services (DHHS) for use by counselors involved in multi-cultural environments. It provides informative material relative to the delivery of services to the Hispanic American, Native American, Black American and Asian-Pacific American populations.

- Nutrition and Adolescent Pregnancy: A Selected Annotated Bibliography will be disseminated in 1987 to provide technical assistance for health care providers, educators and others concerned with the health of teenage mothers and their infants. It was developed jointly through a cooperative public/private sector effort by the DMCH/DHHS, the Department of Agriculture and the March of Dimes Birth Defects Foundation. This new resource includes references on food habits of various ethnic goups, such as Mexican Americans, Puerto Ricans, and Haitians.

Technical Assistance and Consultation

The Division of Maternal and Child Health provides technical assistance and consultation to State and local health agencies, utilizing multidisciplinary staff at the Regional Office and Central Office.

o Over the years DMCH and the Health Care Financing Administration (HCFA) have collaborated to develop guidance materials for State Medicaid and State MCH staffs. A joint guidance piece on the 1915(b) "Freedom of Choice" waivers and their applicability to perinatal services was disseminated in the Fall, 1986.

o DMCH and CDC have sponsored the placement of an epidemiologist to provide needed analytic and evaluative capability in the State MCH program in South Carolina. In the next few years we hope to expand this opportunity to other States in an effort to build our MCH epidemiologic capacity.

o In collaboration with other PHS agencies, the DMCH is assembling teams of health professionals--referred to as Infant Mortality Review Teams--to provide, upon request, expert assistance to States in reviewing infant mortality and morbidity data and investigating the conditions, e.g., medical, public health, social, behavioral, environmental and system factors, associated with high or changing infant mortality. The scope of team reviews varies from a very targeted infant death investigation or case approach to a broad review of a perinatal program in a State. Guidance material on Infant Mortality Reviews is being finalized and will be distributed to States later this Spring.

o A SPRANS funded project in FY 1986 organized conferences across the States to identify strategies to reduce nonfinancial barriers to prenatal care and components of prenatal care most effective in reducing low birth weight. A monograph of the proceedings will be disseminated early in 1987.

Collaboration/Public-Private Partnerships

o Federal/Interagency
 - Coordination of efforts/policy issues through Low Birthweight Prevention Work Group.

- Convene an Expert Panel on Content of Prenatal Care, through support from the Low Birthweight Prevention Work Group, to examine the effectiveness of the various components of prenatal care, present findings and make recommendations for future research.

- Assistance and participation in OTA's Child Health Technologies study, including a review of effectiveness of prenatal care.

- Issuance of joint HCFA/DMCH guidance on Freedom of Choice Waivers, a case study of South Carolina's High Risk Channeling program.

- NCHS/DMCH development and sponsorship of the 1988 National Maternal and Infant Health Survey.

- CDC/DMCH Maternal and Child Health Epidemiology program NICHD/DMCH co-sponsored research encompassing technology development, racial/ethnicity impact on utilization, growth and development of LBW infants.

o Non-Federal

- Southern Governor's Association - providing support to Southern Regional Task Force on Infant Mortality will focus on selected States for intensive implementation.

- Robert Wood Johnson Foundation - joint support of Infant Health and Development project and long term follow-up of LBW infants.

- American College of Obstetricians and Gynecologists - assist with provision of Infant Mortality Review consultation; participation in work of Committee on Health Care for Underserved Women.

- American Academy of Pediatrics - development of a paper on Infant Mortality.

- Institute of Medicine - support of a study group to examine "Increasing the Early Use of Prenatal Care: The Role of Outreach"

- States' Healthy Mothers, Healthy Babies Coalitions - provide secretariat assisting more than 40 state HMHB coalitions aimed at expanding public education and heightening public awareness of IM/LBW issues.

Question. How are all these programs coordinated within the Public Health Service?

Answer. The Public Health Service (PHS) has established a number of coordinating mechanisms to maximize efficiency and minimize redundancy relating to infant mortality and other maternal and child health programs. The first is the PHS Low Birthweight Prevention Work Group. This group is comprised of representatives and experts in maternal and infant health from the Health Resources and Services Administration (HRSA), National Institutes of Health (NIH), National Center for Health Statistics (NCHS), Centers for Disease Control (CDC), Alcohol, Drug Abuse and Mental Health Administration (ADAMHA), Food and Drug Administration (FDA), Office of Population Affairs, Office of Minority Health, Office of the Assistant Secretary for Health (OASH), and the Health Care Financing Administration (HCFA).

The Work Group is co-chaired by the Director of the Division of Maternal and Child Health (DMCH) and the Director of the National Institute of Child Health and Human Development (NICHD). This group is charged with the broad responsibility for coordinating infant mortality and low birthweight prevention activities, providing scientific analysis and identifying policy issues of priority. The Work Group meets regularly to share ideas and program information and to develop joint activities relating to low birthweight prevention and infant mortality reduction.

A second coordinating mechanism focuses around the Objectives for the Nation. For each priority area, such as Pregnancy and Infant Health (PIH), a lead agency and HHS cooperating agencies are identified. As part of the Mid-Course Review of the 1990 Objectives, these cooperating agencies examined each objective (including the objective promoting early registration for prenatal care) to assess progress, identify factors enhancing or impeding progress and determine measures to overcome problems. A publication of the findings and recommendations was just released. The agencies involved include: Health Care Financing Administration; Indian Health Service; Division of Maternal and Child Health; National Institutes of Health; Health Resources and Services Administration; Centers for Disease Control; Alcohol, Drug Abuse and Mental Health Administration; and Office of the Assistant Secretary for Health (National Center for Health Statistics, Office of Population Affairs, National Center for Health Services Research, Office of Public Affairs).

Question. Last year, I sponsored legislation that was signed into law, to create a commission that would make recommendations for a national policy design to reduce and prevent infant mortality. I think we need to stand back and determine if what we are doing now is adequate and effectively addressing the problem of infant mortality. And if it is not, then we should make those changes necessary to decrease the incidence of low birthweight babies. I intend to see that the Commission is funded this year. I'd like to have your comments and suggestions for the problems the Commission should tackle, particularly relating to the coordination of efforts.

Answer. Key areas of concern always have been the coordination of delivery and payment for effective perinatal care for mothers and infants. The broad population group at highest risk of infant and maternal mortality and morbidity is, of course, the poor and particularly, the Black poor. We have proposed in our 1988 budget an $85 million initiative in which we hope to demonstrate the health effectiveness and cost efficiency of case-managed perinatal care to Medicaid eligible women and their infants. We are most hopeful that this demonstration will verify effective approaches to the low-weight birth and infant mortality problems. This initiative has been developed jointly by the Public Health Service and the Health Care Financing Administration. We have seen very effective coordination at the Federal level in the development of this proposal; and, we expect that it will continue in the extensive cooperative efforts which will be required during the implementation and assessment phases. Most vital, however, will be the long-term coordination and cooperation which will have to be demonstrated at the State level between State Medicaid and health authorities, and among local medical and other health professional groups, hospitals, local Medicaid agencies, health departments, social service agencies, voluntary groups, churches and the like. Help from the Commission in fostering and assessing coordination and cooperation -- particularly at the State and local levels -- would be most welcome.

COST CONTAINMENT

Question. The one thing that our elderly citizens fear most is the increasing cost of health care. From the National Center's studies of health services, what has this research told us about cost containment? Are we moving in an effective direction towards reducing these health care costs?

Answer. The research conducted and supported by NCHSR's intramural and extramural research programs seeks to create new knowledge and better understanding of the process by which health services are made available and how they may be provided more efficiently, more effectively, and at lower costs.

Among the health care cost containment policy issues, the growing costs of caring for the nation's rapidly increasing elderly population has been an important focus of NCHSR's intramural research efforts. Completed and ongoing NCHSR intramural research on cost containment as it relates to the fear elderly citizens have regarding increasing health care costs has contributed substantially to our knowledge and understanding of the dynamics of this issue.

The concern on the part of the elderly regarding increasing health care costs can be viewed as two problems. The elderly share with all of us the concern about the rapid rise in health care costs. This concern is particularly critical because most elderly live on fixed incomes. Furthermore, when their income is increased to reflect increases in the rate of inflation, that adjustment is based on the rate of growth in the general economy which has been growing at a substantially lower rate than is the case for medical care. The result is that the ability to pay for health care decreases for many elderly persons as they grow older.

The second part of the problem tends to have a compounding effect. As people age, their need for health care services increases. A good example of this is the need for long-term nursing home care which grows dramatically as people enter their eighties. The blessing of longer life is thus complicated by high costs associated with both the need for greater services and health care cost inflation.

NCHSR research has been responsible for encouraging the development of financing mechanisms that can give elderly persons options for preparing for their health care needs. In particular, NCHSR has been and continues to be a primary source of data and analysis necessary for the development of long-term care insurance strategies. NCHSR research in this area has helped to focus attention on the importance of controlling utilization and costs if

these mechanisms are to be affordable and effective in helping the elderly prepare for their growing health care needs.
NCHSR intramural research activities relating to health care for the elderly also focus on the informal support system and community-based care. Research in these important areas has revealed the following:

Informal Caregiving: Family, friends, and other unpaid helpers provide the bulk of long-term care for the disabled elderly

living in the community; however, very little is known about the size and characteristics of the potential caregiver population and the factors that influence the decision to provide informal care.

NCHSR is currently conducting a series of studies of this critical source of care. Completed studies have included national estimates of the caregiver population and their characteristics. Planned research will describe the potential caregiving population and analyze why some give care and others do not.

Community Care: Increasing expenditures for nursing home care, particularly under Medicaid, have created considerable policy interest in community care as an alternative to institutional care and as a means of containing costs. NCHSR has conducted a systematic review of the evidence on the substitution of community care for nursing home care, including evaluations of 16 demonstration projects funded through waivers of Medicaid and Medicare regulations. Planned research will examine the demand for in-home care by the severely impaired elderly to identify those factors which determine the use of public and private in-home care services.

The 1987 National Medical Expenditure Survey (NMES), sponsored by NCHSR's Intramural Research Division, has been specifically designed to estimate the health expenditures of the elderly population. A substantial portion of elderly living in the community, including those with functional limitations, will be surveyed. This latter group is among the most likely to experience catastrophic health expenditures and to use long-term care services, such as nursing homes and home health care. NMES also includes a survey of nursing home residents and data are being collected on all health care expenditures for this population. Data from the community and institutional surveys will enable the development of estimates of out-of-pocket expenditures for health care and the proportion of the elderly's income that is required for health care services. Such estimates will provide the basis for analyzing the impact of current Federal policies of the Medicare and Medicaid programs on expenditures for health care by the elderly.

Grant and contract research supported through NCHSR's Extramural Research Division has dealt with a number of issues relating to health care for the elderly. Examples of the specific findings of NCHSR-supported research in this area include:

An effective strategy to offset the severe economic costs of acute catastrophic illness for elderly Medicare beneficiaries involves the establishment of a ceiling on out-of-pocket expenses for covered services paid for by a relatively small increase in premium.

A new team approach to health care for the homebound, chronically ill elderly provides effective and less costly care to the terminally ill. Overall costs for patients treated by a team of a physician, a geriatric nurse practitioner, and a social worker were a third less than total costs for patients receiving traditional at-home care. This was due to a sharp decrease in otherwise required hospitalization.

Drug therapy is a critical element of care for institutionalized geriatric patients. The use of clinical pharmacists to prescribe and administer drugs to elderly nursing home patients, under a physician's supervision, could improve health and save as much as $70,000 annually per 100 beds.

With respect to cost containment in general, NCHSR has supported and will continue to support research in this important policy area. Examples of specific findings from NCHSR-supported studies dealing with cost containment efforts include the following:

The burden of catastrophic illness is sizable--one in five American families in 1977 incurred medical expenditures exceeding five percent of family income. These families were likely to be headed by a person over 65 years of age and with low income. Because of their limited income, even relatively small out-of-pocket expenses can be "catastrophic." Only five percent of families with an income of $20,000 or more spent five percent or more of that income on health care, in contrast to nearly one-third of families with incomes below $12,000.

The rapid growth of multihospital systems is not expected to affect the quality of care but may lead to an increase in the cost of care. For-profit systems tend to provide more ancillary services, higher markups, and newer facilities than non-system hospitals. However, there appears to be no difference in cost per admission between investor-owned and not-for-profit system hospitals.

Approximately 90 percent of medical and surgical admissions fall into DRGs for which admission rates are highly variable. Variations in hospital admission rates reflect the practice styles and treatment preferences of physicians and greatly influence hospital expenses. In order not to exacerbate hospital cost inflation, cost containment programs based on fixed pre-admission hospital prices will need to ensure effective control of hospitalization rates.

Enrollees experience 10 to 40 percent lower total health care costs in HMOs than in fee-for-service plans. This is due to lower hospital utilization.

Individuals appear to be sensitive to price differences among health care plans. Policies to foster price competition among plans are likely to attract consumers of lower-priced plans.

A screening method can eliminate most unnecessary x-rays of injured limbs. Approximately $79 to $139 million in x-ray costs could be saved each year without compromising the quality of emergency care.

A study of employer innovations to control health benefit costs will describe the programs established by medium and large firms nationwide to control health care costs, and estimate the cost savings and policy implications of these innovations.

NCHSR is also currently supporting grant research that will add to the knowledge base required to stimulate greater efficiency in the market for health care services. Examples of these ongoing studies include an analysis of the role of information on physician fees in affecting consumer's choice of physician and understanding the cost of care, and an evaluation of the impact of tort reform on the frequency and severity of medical malpractice claims and premiums.

NCHSR's research activities over the past several years have addressed a number of issues impacting upon the achievement of cost containment. The health care system is affected by recent changes in hospital reimbursement and the emergence of comparatively new modes of delivery, such as Preferred Provider Organizations (PPOs) and multiinstitutional systems. Adjustment in all parts of the system is occurring as purchasers of health care services restructure health benefit programs, and as providers react to and accommodate new incentives in a more competitive marketplace.

Recent efforts at cost containment have been effective in introducing price competition into the market for health care services. More prudent purchasing and changes in negotiating power among hospitals, physicians, and third-party payers have helped to strengthen the role of consumer choice in the health care system. The emergence of these new incentives for consumers, providers, and purchasers can help to assure an even more cost-effective use of health care resources in the future by the elderly and other age groups.

RESEARCH PRIORITIES

Question. The budget request for health services research and technology assessment is approximately the same as last year's appropriation of $17.3 million. At this level of funding, what areas of basic health services research can be supported?

Answer. The budget request for Fiscal Year 1988 will provide for the continuation of basic research in the major priorities areas of NCHSR's extramural research program. These include:

Variations in Medical Care: studies linking the process of care with outcomes and health status and comparative studies of variations in the use of health care services and changes in these variations over time.

Technology Assessment: studies of the safety, efficacy. effectiveness. and cost effectiveness of specific technologies development of new methods for evaluating medical technologies; and investigations of the diffusion of medical technology.

The Role of Market Forces in the Delivery of Health Care: studies of the current health care market and characteristics of the health care industry, strategies to enhance cost consciousness and productivity studies.

Health Promotion and Disease Prevention: measure of health status analyses of public and private program interventions, and methods to increase consumer knowledge and change health attitudes and behavior.

Primary Care: development and testing of better designs measures, and analytic techniques to improve primary care research, evaluation and surveillance techniques to assess the quality of care studies of the medical decisionmaking process, and evaluations of the costs and effectiveness of clinical care.

Question. How are these priorities determined?

Answer. Direction for determining research priorities is provided through several mechanisms.

First, NCHSR's authorizing legislation stipulates the range of issues to be addressed in NCHSR's research activities. These include: the safety, efficacy, effectiveness and cost effectiveness of health care technologies; the role of market forces in the health care system; the utilization, quality, and financing of health services; and the supply, distribution, education, quality and cost of health manpower. NCHSR's authorizing statute also provides for a specific minimum level of funding for research on health care technologies and for technology assessments.

Direction for NCHSR research priorities is also provided by the Office of the Assistant Secretary for Health to ensure an appropriate balance among the many important aspects of maintaining and developing our knowledge base including the numerous issues for potential investigation, the need to support long term basic research which can contribute to the outyear knowledge base, as well as shorter term studies of more immediate issues, and the need to continue to enhance the methods and techniques available to researchers.

ADEQUACY OF FUNDING LEVEL

Question. Do you think the requested funding level is adequate to carry on this research?

Answer. The funding level requested in Fiscal Year 1988 will allow for support of health services research in NCHSR's major priority areas. This will include the continuation of projects which are ongoing in Fiscal Year 1987 as well as new projects to be initiated in Fiscal Year 1988.

OFFICE OF MINORITY HEALTH OBJECTIVES

Question. Based on the recommendations of the Secretary's Task Force on Black and Minority Health, what specific objectives have you established for improving minority health in Fiscal Year 1988?

Answer. The specific objectives of the Office of Minority Health in Fiscal Year 1988 are:

- to initiate mechanisms and programs throughout DHHS which will 1) set national minority health goals and 2) implement the recommendations of the Secretary's Task Force on Black and Minority Health, and
- to foster efforts by the non-Federal sector (voluntary, professional, and community-based organizations; private philanthropies; and State and local governments) to address the findings and recommendations of the Report.

In addition, special emphasis will be placed in FY 1988 on the disproportionate incidence of AIDS in the Black and Hispanic communities.

Question. What activities will you support to achieve these objectives?

Answer. The Office of Minority Health will support the following activities to achieve these objectives:

- DHHS-Wide Minority Health Coordinating Process - focusing on implementing the recommendations of the Task Force on Black and Minority Health and identifying specific actions to help in achieving the overall goals of redirecting existing Departmental resources toward minority health needs. A key part of the process will be the establishment of numerical minority health status goals for the Nation for the Year 2000.
- The Minority Health Community Coalition Grant Program - to demonstrate the feasibility of community coalitions aimed at risk reduction.
- Minority Health Resource Center - establishment of a center to be a focal point of information regarding minority health concerns.
- Media campaign - focusing on risk reduction factors and improving health knowledge and attitudes in minority communities.
- Other efforts including: Conference on Alternative Health Care Delivery Systems, technical assistance to young minority researchers, Anti-Homicide Campaign, and AIDS prevention.

COMMUNITY COALITION RISK REDUCTION

Question. The Office administers the Minority Health Community Coalition Risk Reduction Grants. How many grants will be awarded in Fiscal Year 1988? What is the level of funding?

Answer. In FY 1986 the Office of Minority Health awarded six grants for a total of $1.0 million. For FY 1987 and FY 1988, it is anticipated that six or seven grant awards will be made each year. The grant program budget estimate for FY 1987 and FY 1988 is $1.2 million and $1.4 million respectively.

Many of the risk factors associated with the six major causes of excess mortality involve behavior or preventable conditions which are potentially modifiable but which historically have been resistant to change. The 1988 budget request will allow the Office of Minority Health to continue to provide demonstration funding to support innovative community health risk reduction coalition grants. These grant projects are based on the concept that greater force for change can be achieved by community-based awareness, support, and involvement. This is particularly true if such an effort is carried out by influential community institutions such as churches, schools, and clubs, which are organized by recognized community leaders.

These grants are designed to support the development of community-oriented and coalition-directed risk reduction efforts for a two year grant period. Long term funding beyond the two year grant period is expected to be derived from other than Federal funds.

CENTERS FOR DISEASE CONTROL REPORT ON MINORITY HEALTH

Question. The Centers for Disease Control have recently released a study on minority health. Would you provide us with a summary of those findings?

Answer. CDC's Annual Program Review for 1986/Prevention of Disease, Disability and Death in Blacks and Other Minorities contained a large number of program descriptions and minority health-related articles. A summary of CDC's minority specific programs follows.

SUMMARY OF MINORITY HEALTH PROJECTS AT CDC

PROJECT TITLE: CERVICAL CANCER AMONG BLACK, INDIGENT WOMEN IN METROPOLITAN ATLANTA -- CDC is investigating risk factors for cervical cancer among black, indigent women in Atlanta. The project involves performing descriptive analyses of the sociological and medical factors associated with cervical cancer morbidity and mortality using data gathered from personal interviews, and reviews of medical records and cytologic samples. Data from the study will be used to develop intervention programs to reduce preventable mortality among this group.

PROJECT TITLE: INJURY PREVENTION IN AN INNER-CITY, BLACK COMMUNITY IN PHILADELPHIA -- CDC is working with city health officials, community leaders and the University of Pennsylvania to develop surveillance systems to identify priority injury prevention areas.

We will develop and implement interventions for this population with emphasis on home injuries such as falls, fires, ingestion of toxic substances, and assaults.

PROJECT TITLE: INJURY CONTROL DEMONSTRATION PROGRAMS/INDIAN RESERVATIONS -- CDC is working with the Indian Health Service on a program to design and implement educational efforts directed at reducing injuries related to alcohol abuse and low use of seat belts, and is conducting demonstration injury prevention programs at three reservations.

PROJECT TITLE: SURVEILLANCE OF SUDDEN UNEXPLAINED DEATH IN SOUTHEAST ASIAN REFUGEES -- CDC is conducting national surveillance for sudden unexplained death syndrome (SUDS) among Southeast Asian refugees.

PROJECT TILLE: MINORITY HOMICIDE -- CDC is conducting an in-house research project to further describe the incidence, cause and potential prevention strategies for the prevention of minority homicides.

PROJECT TITLE: CANCER RISKS AMONG BLACKS AND HISPANICS IN AN INNER-CITY AREA OF KANSAS CITY -- Assisted community coalition in developing programs to address several cancer related risk factors among blacks and Hispanics in Kansas City as part of the Planned Approach to Community Health Project (PATCH). CDC will introduce risk reduction programs.

PROJECT TITLE: COMMUNITY HEALTH ASSESSMENT AND PROMOTION PROJECT (CHAPP) IN AN ATLANTA NEIGHBORHOOD -- Assisted a community coalition in identifying and prioritizing health problems in a black neighborhood in Atlanta. Developed exercise and nutrition intervention program to address cardiovascular and diabetes risk factors for low-income black population residing in the neighborhood.

PROJECT TITLE: HEALTH EDUCATION FOR BLACKS IN NEW YORK CITY -- CDC secured private foundation funding to analyze the secondary benefits of CDC`s Growing Healthy curriculum on the reading and science scores and or dropout rates among black youths in New York City. Students exposed to the curriculum in a New York City School District have been reported to have improved test scores and lower dropout rates since introduction of the Growing Healthy curriculum.

PROJECT TITLE: NATIONAL CONFERENCE ON HYPERTENSION IN BLACKS -- CDC is co-sponsoring the Second Interdisciplinary Conference on Hypertension in Blacks to be held in Atlanta in March 1987. CDC is providing both technical consultation and funding assistance.

PROJECT TITLE: PHYSICAL ACTIVITY PROJECT IN A BLACK NEIGHBORHOOD IN PITTSBURGH -- CDC assisted the University of Pittsburgh in testing an assessment instrument for physical activity patterns among low-income, black population in Pittsburgh. Data will provide directions for developing more effective intervention programs.

PROJECT TITLE: PREDICTORS OF EFFECTIVENESS FOR MINORITY INTERVENTIONS -- CDC is conducting a review of published interventions directed toward minority populations and is attempting to identify successful programs that have not been reported in the literature. A manuscript will be prepared that characterizes effective interventions.

PROJECT TITLE: RISK FACTORS FOR LOW BIRTHWEIGHT AMONG COLLEGE EDUCATED BLACK WOMEN -- CDC is conducting a case control study of college educated black mothers to identify reasons for the elevated risk of birthweight of less than 2500 grams among black infants.

PROJECT TITLE: REPRODUCTIVE HEALTH IN PUERTO RICO -- CDC is analyzing data from the 1982 Puerto Rico Fertility and Family Planning Assessment in order to assess the linkages between maternal smoking and low birthweight, and contraceptive use and the need for family planning in Puerto Rico.

PROJECT TITLE: CHILDBEARING PATTERNS AMONG PUERTO RICAN HISPANICS IN NEW YORK CITY AND PUERTO RICO -- CDC is analyzing vital statistic records for matched births and infant deaths for the years 1978-1982 birth cohorts to assess maternal risk factors.

PROJECT TITLE: ORAL CANCER PREVENTION FOR AMERICAN INDIANS/ALASKAN NATIVES -- CDC is working with the Indian Health Service to ascertain the prevalence of use of smokeless tobacco and its associated health risks. Smokeless tobacco educational materials will be developed and pretested in selected elementary schools on reservations and other schools serving primarily Indians and Native Alaskans, as well as distributed to the general Indian and Native Alaskan population.

PROJECT TITLE: IMPROVED GLUCOSE AND HYPERTENSION CONTROL AMONG UTE INDIANS -- CDC is working with the Utah Department of Health on a diabetes control project which has led to improved health care delivery resulting in improved control of blood glucose and hypertension among the Ute Indians.

PROJECT TITLE: DIABETIC BLINDNESS PREVENTION AMONG NATIVE AMERICANS -- CDC is working with one State to implement comprehensive programs to prevent diabetic blindness among a Native American population. Early results indicate a significant number of previously undetected cases of diabetic eye disease have been identified and referred to treatment.

PROJECT TITLE: DIABETES-RELATED LOWER EXTREMITY AMPUTATIONS IN THE CHEROKEE NATION -- CDC is providing epidemiologic expertise to the Cherokee Nation to study a cluster of diabetes-related lower extremity amputations.

PROJECT TITLE: DIABETES PREVENTION AND CONTROL IN THE ZUNI INDIAN OF NEW MEXICO -- CDC conducted an evaluation of the Zuni Indian Diabetes Project, a community-based exercise intervention program for the prevention and control of diabetes mellitus among New Mexico's Zuni Indians.

PROJECT TITLE: DIABETES IN ALASKA NATIVES -- CDC is working with the Indian Health Service to review medical record diagnoses to determine the prevalence of diabetes and to identify patients with confirmed diagnoses of diabetes mellitus in order to establish a registry for follow-up. This is intended to achieve a reduction in the sequelae of diabetes among this population. The project will also evaluate the results of a pilot prenatal diabetes screening program.

PROJECT TITLE: VIRAL ASSOCIATIONS AND CONCERN AMONG NATIVE ALASKANS -- CDC is studying the association between viral diseases and cancer among Native Alaskans by assessing various screening methods for the early detection and treatment of cancers which may be associated with viral diseases. Emphasis is being placed on assessing the effectiveness (including cost-effectiveness) of interventions and studying possible associations between certain viral diseases and subsequent development of cancers prevalent among Native Alaskans.

PROJECT TITLE: INFECTIONS AND ANEMIA AND ARTHRITIS IN ALASKAN NATIVES -- CDC is working with the Indian Health Service to assess the etiology and prevalence of anemia and the effect of a nutrition education program on the prevalence of anemia in a group of Alaskan Natives. We are also assessing the prevalence of arthritis and rheumatic disorders among various ethnic groups of Alaskan Natives.

PROJECT TITLE: SICKLE CELL/THALASSEMIA/HUMAN PARVOVIRUS (B19) IN INFANTS -- CDC is participating with NIH in pilot studies documenting the efficacy of penicillin in decreasing morbidity and mortality associated with sickle cell anemia in infants. We are also evaluating the effectiveness and promoting use of pneumococcal vaccines in sickle cell disease, and studying the clinical and epidemiologic characteristics of aplastic crisis in patients with chronic hemolytic anemia (primarily sickle cell disease).

PROJECT TITLE: COOPERATIVE AGREEMENT WITH MOREHOUSE SCHOOL OF MEDICINE -- CDC is working with the Morehouse School of Medicine to develop and strengthen the curriculum in preventive health and community medicine and to provide training and practical work experience for minority medical students.

PROJECT TITLE: HEALTH ANALYSIS AND PLANNING FOR INDIAN HEALTH SERVICES -- CDC is working with the Billings (MT) Area Office and the Navaho Area Office (Window Rock, AZ), Indian Health Service in the development of a long-range planning process which addresses the health needs of Native Americans living in 16 service areas. This will facilitate systematic analysis of identified health priorities, implementation of performance-based work plans to assure that essential work is done, and evaluation of the health status of large population groups.

Question. What does the Public Health Service propose to do about those findings?

Answer. The Office of Minority Health, through its Working Groups, intends to expand the information provided in the CDC Program Review (as well as other agency program reviews). The results of the reviews will include an identification of gaps in agencies' minority health programs, and provide recommendations for closing the gaps through the implementation of specific program activities. Once minority health goals for the Year 2000 are selected, the Office of Minority Health will act as a catalyst in the implementation of the ameliorative plans, and proceed to monitor achievements.

HEALTH STATISTICS - DELAYS IN PUBLICATION

Question. The comprehensive volumes of the Vital Statistics of the United States on mortality for 1980 were not published until 1985. Another example of this apparent publication delay is the summary Advance Report on Final Mortality Statistics for 1984, which was published in the Monthly Vital Statistics Report on September 26, 1986. What is the reason for the long lag time in the publication of basic statistical data collected by the National Center for Health Statistics?

Answer. Improving the timeliness of data dissemination continues to be a high priority in NCHS, and considerable progress has been made in vital statistics publications and in other areas. Still, some forms of data release have, and will continue to have, relatively long lag times.

In 1980, as noted, the lag time between the year of data collection and the date of publication for Vital Statistics of the United States, 1980, (Part A, Mortality) was about 57 months. To some extent, this long delay was the result of special circumstances of that year: the loss of highly trained coding personnel, and the need to change all data processing systems due to the periodic revision of the International Classification of Diseases. Since that time, we have reduced this time lag by nearly 2 years, so that the final mortality volume for 1986 and later years will be published about 3 years after the end of the data year. Final data, with appropriate quality controls and fine geographic and racial detail, continue to take a considerable amount of time to produce due to the nature of the data collection system. NCHS obtains data through the States' vital registration systems, and cannot begin processing national statistics until the States complete their own files.

States need time to take advantage of additional information available from autopsies, to check for inconsistent or erroneous information, and to allow for late registration of births and deaths. Following receipt of State files, NCHS applies rigorous quality control procedures and edit checks to assure a high level of data quality.

Recognizing the need for current data for policymaking and research, and since data with the level of detail and quality found in Vital Statistics of the United States take so much time to publish, NCHS publishes vital statistics reports of other types on a much more rapid schedule. The Monthly Vital Statistics Report includes provisional birth and death data, usually within 80 days following the end of each data month. These data provide a very early and reliable indication of trends in vital statistics.

Additional detail based on final data is provided in the Advance Report of Final Mortality Statistics, published more than a year before Vital Statistics of the United States.

In areas other than vital statistics, NCHS has made considerable strides in increasing the timeliness of data release. As an example, data from the 1985 National Hospital Discharge Survey was released just six months after the end of the survey year. The 1985 edition of "Current Estimates From the National Health Interview Survey," summary statistics from the annual National Health Interview Survey, were available for distribution in September of the following year, and preliminary data from a special supplement on Health Promotion and Disease Prevention were published even before the main survey was completed. An Advance Data Report from the 1985 National Ambulatory Medical Care Survey was available in January, 1987.

Question. The availability of the most current statistical data possible is important to health policymakers in the Congress and Administration, medical researchers, and others in the health community. What would it take to speed up the publication of essential statistical materials?

Answer. There are two primary areas in which we plan to make further progress in speeding up this process. First, we are making greater use of automated technologies in the initial collection of data in a variety of settings, including personal interviews. By collecting data in electronic form at the source, the need for time- and resource-consuming coding, keying, and editing of data is reduced. One of the first surveys where we will make greater use of electronic data collection is in the 1988 National Health and Nutrition Examination Survey, and we hope to automate the National Health Interview Survey in 1989. In vital statistics, we are completing the Vital Statistics Cooperative Program, under which all States will provide data on computer tapes to NCHS. To the extent that resources are available, we will continue to take advantage of further opportunities for automation.

Second, we are automating the publication process itself. Beginning this year, NCHS will utilize new technology to increase the efficiency of producing and disseminating published reports and data tapes. Producing most reports electronically will enable NCHS to eliminate some of the delays in moving from data collection to publication. In vital statistics, for example, we have developed computer systems to photocompose the annual natality and mortality volumes directly from the computer, eliminating the need to retype tables.

Finally, despite the availability of new technologies to speed our production processes, the most critical input in the process will remain human. We must maintain a staff of highly qualified and productive statisticians, analysts, epidemiologists, and researchers.

NCHS SURVEYS

Question. Which surveys will be published during Fiscal Year 1988?

Answer. We anticipate that data from the following surveys and data systems will be published during Fiscal Year 1988:

National Vital Statistics System (annual and monthly data)
National Health Interview Survey (1986 and 1987)
Hispanic Health and Nutrition Examination Survey (1982-1984)
National Hospital Discharge Survey (1987)
National Health and Nutrition Examination Survey I Epidemiologic Followup Study (1982-1987)
National Nursing Home Survey (1985)
National Master Facility Inventory - 1986 Inventory of Long-Term Care Places
National Ambulatory Medical Care Survey (1985)

STATUS OF 1990 HEALTH OBJECTIVES

Question. Your office is responsible for overseeing the implementation of the 1990 Health Objectives.

What progress can you report in the Department's effort to achieve the 1990 Health Objectives?

Answer. In 1986, a midcourse review of the 15 priority areas and the status of each of the 226 objectives was completed and the results published and widely distributed. The following statistical profile reflects overall progress at the mid-decade point:

	%	#
Percent of objectives already met	13%	29
Percent of objectives on track to be met	35%	78
Percent of objectives unlikely to be met	26%	60
Percent of objectives lacking data	26%	69
		226 Objectives

- The areas that have demonstrated the most progress are:

  High Blood Pressure Control
  Injury Prevention
  Infectious Diseases
  Smoking and Health

- The areas that show the least progress are:

  Pregnancy and Infant Health
  Sexually Transmitted Diseases
  Nutrition
  Physical Fitness and Exercise
  Stress and Violent Behavior

Examples Of Progress

High Blood Pressure - Between 1972 and 1984, death rates from heart disease and stroke fell 34 percent and 48 percent, respectively. These declines are attributed to improved public awareness about the dangers of high blood pressure and increased numbers of adults checking and controlling their blood pressures.

Smoking - The decline in adult smokers--to about 30 percent of the population in 1985--suggests the 25 percent target by 1990 is likely to be reached. Teenage girls are the only population group whose cigarette consumption has actually increased in this decade.

Motor Vehicle Accidents - Between 1978 and 1983, the death rate from automobile accidents fell from almost 24 per 100,000 population to 19 per 100,000--a decline ascribed largely to seat belt use, reduced drunken driving and improved roadway safety. The 1990 target is 18 per 100,000.

Immunization - In 1985, 85 percent of the nation's children were immunized against preventable infectious diseases. The 1990 target of 90 percent appears well within reach.

Worksite Health - Between 1977 and 1985, the percentage of major employers offering health promotion and fitness programs to their employees increased from 2.5 percent to 32 percent; the 1990 target was 25 percent. Workplace-related accidental deaths fell in 1984 below the 1990 target of 3,750 per year.

Dental Health - The target for eliminating tooth decay in 40 percent of 9-year-olds has already been met. Additional progress can be expected with increased use of plastic dental sealants by dentists.

Alcohol Abuse - Per capita consumption of alcohol is declining on schedule. Also, the objective of reducing the cirrhosis mortality rate from 13.5 per 100,000 to 12 per 100,000 has already been exceeded.

Childhood Diseases - The objectives of reducing the incidence of mumps, rubella and polio are on target or have already been met.

Another way to quantify the progress is to look at the overall goals to reduce mortality in age groups of the population (based on 1985 provisional data):

Group	Baseline (1977)	Provisional (1985)	Target (1990)
Healthy Infants (Deaths/100,000 Live Births)	14.1	10.6	9.0
Healthy Children (1-14 yrs) (Deaths/100,000 Population)	42.0	35.0	34.0
Healthy Adolescents and Youth (15-24 yrs) (Deaths/100,000 Population)	115.0	95.0	93.0
Healthy Adults (25-64 yrs) (Deaths/100,000 Population)	533.0	444.0	400.0

1990 OBJECTIVES AGENCY BUDGETS

Question. Dr. Windom, what are you doing to insure that the agencies' budgets incorporate and reflect achievement of the 1990 Objectives?

Answer. During the preliminary phase of budget preparation which occurs in the spring of each year, the PHS agency budgets are reviewed in terms of priority categories, one of which is disease prevention and health promotion. In this way, it is possible to insure that the agencies are devoting resources to achieve the 1990 Objectives. In 1988, the Public Health Service (PHS) will be spending approximately $3.13 billion on health promotion and disease prevention activities directed toward improving the general health status of the American people. This level reflects our commitment to attaining the 1990 Health Objectives throughout the Public Health Service.

In addition to an annual internal review of expenditures, the Department publishes a biennial inventory of DHHS health promotion and disease prevention programs. The inventory is organized into the fifteen 1990 Objectives prevention priority areas of Healthy People plus a category of cross cutting activities. It includes programs of not only the Public Health Service, but also those of the Health Care Financing Administration, the Office of Community Services, the Office of Human Development Services, and the Office of Refugee Resettlement. Resource levels are reported in detail for the past two fiscal years. A summary of estimated resource levels for the current year also is provided. Prevention '86/'87 is currently being prepared for publication and dissemination to the public.

Question. Are the 1990 Objectives used as a program document in preparing an agency's budget?

Answer. The 1990 Objectives are an influential factor when many of the agency budgets are prepared and reviewed. Various Public Health Service (PHS) agencies have been assigned specific responsibilities in the implementation of the National 1990 Health Objectives. Each agency which has been designated as a lead agency on any of the 15 priority areas has developed an action plan outlining the steps necessary to achieve these goals. In the formulation of the preliminary budget request for the Public Health Service, all PHS agencies are instructed that whenever an agency requests resources to implement one of these steps, their budget should identify that specific step and the funds requested to accomplish this task.

Question. What are you doing to focus attention to those objectives which likely will not be attained by 1990?

Answer. A number of significant actions are being implemented or are in the planning stages to address priority objectives whose achievement is lagging.

Unintended births are a persistent problem in teenage girls. Teenage pregnancies frequently are associated with low birthweight babies and elevated levels of infant mortality. A major Secretarial initiative, "Youth 2000," has been established to focus national attention and State efforts on targeted areas such as teenage pregnancies and substance abuse. This effort includes national promotion, regional conferences on adolescent health and widespread use of media and a public/private network. The Public Health Service (PHS), through its involvement in the Healthy Mothers/Healthy Babies Coalition, is addressing such issues as adolescent pregnancy, substance use among pregnant women and the targeting of low income populations.

Low birthweight is a problematic area that is affected by maternal age, use of alcohol, tobacco and drugs during pregnancy, and by a lack of early and regular prenatal care. Efforts through the previously mentioned initiatives are addressing these concerns, as well as through care delivery programs in the Bureau of Health Care Delivery and Assistance and the Indian Health Service in the Health Resources and Services Administration (HRSA).

Overweight is a significant problem in the U.S. today and, along with poor cholesterol control contributes to hypertension, stroke and heart disease. The lack of physical fitness in both the child and adult U.S. population combined with poor dietary practices is contributing significantly to the problem of overweight. The Office of Disease Prevention and Health Promotion is planning an initiative aimed at a reduction in overweight through a national emphasis on physical fitness and proper nutrition. Additionally, the Deputy Assistant Secretary for Health (Disease Prevention and Health Promotion) and the Director, Centers for Disease Control (CDC) are planning to convene a meeting to move toward consensus and to establish national guidance on how to assess and measure, for health effects, physical fitness levels. The second stage of a major survey of health in school-aged children is underway that will provide valuable baseline information for future program efforts.

Some problems still persist in the area of infectious diseases; namely pertussis, tetanus and hepatitis B. A new and safer pertussis vaccine is expected to be available shortly that should induce higher childhood immunization levels as concern over untoward reactions is reduced.

DISEASE PREVENTION PROGRAM DECREASE

Question. The Fiscal Year 1988 budget request for disease prevention and health promotion is $590,000 less than last year's appropriation. In which programs are you proposing funding decreases?

Answer. The net decrease of $590,000 from the FY 1987 current estimate includes a program decrease of $642,000 which is offset by an increase of $52,000 for built-in costs. In FY 1988, the Office will begin to phase out its partnerships with national membership voluntary and professional organizations in order to concentrate staff and resources on higher priority activities. It should be noted that $100,000 of the $642,000 program decrease results from the appropriation of $100,000 in FY 1987 for the President's Council on Health Promotion and Disease Prevention for which no authorization was enacted.

NATIONAL MEDICAL EXPENDITURE SURVEY

Question. The Fiscal Year 1988 budget proposal includes $5.5 million in budget authority to continue the National Medical Expenditure Survey. This survey will provide national estimates of the use of and expenditures for health care services and health insurance coverage. What component of the survey will you be conducting this year?

Answer. The sample of households and institutions to be surveyed was selected in January 1987. Household and institutional interviews began across the U.S. during the first week of February, 1987.

Question. When will the data collection be completed?

Answer. Data from the first round of interviews will be available for analysis in the spring of 1988. The entire data set, including employer insured and provider information, will be available for analysis early in 1989.

Question. When do you anticipate publishing the survey?

Answer. Data from the survey of long-term care facilities will be released for public use in April of this year. By the end of the summer, the first report of the findings of the long-term care institutional component of the survey will be completed.

It is anticipated that the first findings from the data for the first round of interviews for the civilian, non-institutionalized population, as well as the surveys of long-term care facilities and institutions for the mentally retarded, will be available in the Spring of 1988.

The NMES data will continue to be received until late in the year 1989. Analyses will be conducted as these data become available and findings will be published regularly during this period.

RESEARCH AGENDA CONFERENCE ON RURAL HEALTH ISSUES

Question. Last year, the Committee directed the National Center "... to fund a conference bringing those working on rural health issues together to design a research agenda that will focus on the issues. The Committee further directs that this conference publish its proceedings which shall include a research program plan and budget estimate." When will the conference be held? Who will attend?

Answer. In January 1987, NCHSR awarded a conference grant to the National Rural Health Association, with co-sponsorship by the Foundation for Health Services Research, to design a research agenda focusing on rural health issues. Some of the areas identified for discussion are: problems of the rural elderly; issues in long-term care; the rural poor and medically indigent; maternal, child and adolescent health; and the future of the rural hospital.

An advisory committee composed of rural health care research experts, providers, third party payors, health policy representatives and related government representatives has been appointed and convened for its first meeting on March 16-17, 1987, in Washington, D.C. This advisory committee will design a draft research agenda for discussion at the conference, select the meeting location, and identify the 100 participants who will attend. Criteria to use in the selection of participants will also be discussed, i.e., expertise in health services research, knowledge of rural health care and policy research issues, experience in providing rural health care services, and knowledge of sources of payment for such services.

The conference will be held in December 1987.

Question. When do you anticipate that the proceedings, research plan and budget will be published?

Answer. The proceedings, research plan and budget will be published as rapidly as possible after the completion of the conference. These documents will be provided to the Committee as soon as they are available.

ADOLESCENT FAMILY LIFE - REDUCTION IN FUNDING

Question. This year, you are requesting $10.1 million for the Adolescent Family Life Demonstration program. This is a $4 million reduction in funding from last year's appropriation. Why are you proposing this reduction in funding?

Answer. The decrease in funding represents the first year of a planned three year phase out. The three-year phase down of AFL will give us the opportunity to step back, examine the findings that are available, see what works and what doesn't, and disseminate that information so that communities can deal with the very complex issues surrounding premature sexual activity and subsequent pregnancy.

This program was established as a demonstration program to develop and test ways to deal with the problem of adolescent pregnancy. We have been very pleased with the wide-ranging and innovative approaches to the problems of premature sexual activity and subsequent pregnancy which have been developed and tested through this demonstration and research program.

Evaluations of the more than 100 tested innovative approaches for services delivery are now becoming available for dissemination to interested communities to help them in setting up their programs.

Question. Will you be funding any new grants in Fiscal Year 1988? How many grants will be supported by the $10.1 Million request?

Answer. Our current projections are that no new grants will be awarded in FY 1988, but that funds will be available to support all of the 58 demonstration projects and 11 research studies that will be eligible for continuation awards for that year.

Question. How will you evaluate the findings of the projects that have been funded by this program? When do you anticipate the release of that evaluation?

Answer. Most of the final evaluation reports on projects initially funded in FY 1982 will become available for dissemination in December 1987. These final evaluations will be prepared by independent evaluators selected by the grantees in accordance with the Title XX Statute. Findings on the many new approaches tested will be disseminated to interested entities to help them in setting up programs at the community level. Preliminary evaluation reports for projects funded in FY 1986 have been submitted to the Committee in accordance with Senate Report 99-408 p.133.

FAMILY PLANNING BLACK GRANT PROPOSAL

Question. The Fiscal Year 1988 budget proposes to fund the Family Planning Program as a block grant to the States. How is the program currently administered?

Answer. The Family Planning Program is administered through the Office of Population Affairs. Through an allocation formula, funds are provided to each of the 10 Public Health Service Regional Health Administrators who are then responsible for awarding grants for direct services and for monitoring those grants. All other program activities are administered through the Headquarters office. These include grants and contracts for training of family planning services personnel, services delivery improvement, and family planning information and education.

Question. The change to a block grant will eliminate monitoring and reporting requirements. How will you obtain information on the operations of the programs to assume accountability of the States and to meet Congressional concerns for data on the operations of the program?

Answer. When the States and territories assume responsibility for the management of the resources to deliver voluntary family planning services, more efficient, responsive and flexible service can be provided that is in accordance with State law and other State administered health care and family planning programs. Many States already have sophisticated statistical reporting systems in place that will be able to provide any data that may be required by those States.

Question. If Congress does not authorize the change to a block grant, how much funding would be required to administer the program?

Answer. The Administration's request for a family planning block grant is cost effective and will permit a decrease of 40 FTEs and $1.8 million in Federal program support funds from the 1987 level of $3.3 million and 60 FTEs. If the request is not accepted and family planning is continued as a categorical program with grants for services awarded and monitored through the regional offices, it will be necessary to restore the 40 FTEs and the $1.8 million.

HEALTH AND NUTRITION EXAMINATION SURVEY

Question. The budget request provides $3.5 million for the third National Health and Nutrition Examination Survey. What is the schedule for collecting the data for this survey?

Answer. The data collection for NHANES III will be from 1988-1994, and will be conducted in two three-year segments each designed to be probability samples of the national population. The first round will be completed in 1991, the second in 1994.

Question. Why does the data collection take such a long time?

Answer. The primary reason for the length of the data collection period is the need to reach a number of examinees sufficient to provide an adequate amount of information for subsequent analysis; in particular, a large sample size is necessary to get a clear picture of the health of subgroups of the population such as Blacks, Hispanics, and older persons. Secondly, in this survey, physical exams and laboratory measurements are taken in specially designed mobile examination centers. Data collection is spread over a six year period in order to allow for the movement of a limited number of these mobile centers to the locations throughout the United States while making the most efficient use of examination equipment and staff.

Question. How much funding will be provided from the Department-wide evaluation activities to support this survey effort?

Answer. In FY 1988, $6.1 million will be provided.

Question. When do you anticipate that the final results will be published?

Answer. With automation of the data collection phase of the study, we expect the first results from the first round to be available in FY 1992, and the first data from the entire survey to be available in FY 1995. Due to the wealth of basic biomedical information available through this survey, we expect that analysis and epidemiologic investigation will continue for several years after that date.

NATIONAL MATERNAL AND INFANT HEALTH SURVEY

Question. The budget proposes an increase of $388,000 for data collection for the National Maternal and Infant Health Survey. When will this survey be completed? Is the data collection on schedule? Have there been any time delays from the original schedule?

Answer. NCHS is requesting an increase of $388,000 in FY 1988, for a total of $4.1 million, as its share of the costs of data collection for this survey, in a collaborative effort with several other co-sponsoring Federal agencies. Under this arrangement, data collection for this survey is scheduled to begin in 1988 and be completed in 1989. To date, no time delays have been encountered and planning is proceeding on schedule, with a pretest scheduled to occur in FY 1987. Release of public use data tapes and published reports of data is projected to be initiated in FY 1990.

Question. When was the last survey published?

Answer. This survey is one of a series of periodic vital statistics "followback" surveys and extends efforts undertaken through the National Natality Survey (last conducted in 1980), the National Fetal Mortality Survey (last conducted in 1980), and the National Infant Mortality Survey (last conducted in 1964-66). Over 100 reports have been published since 1983 based on the data collected in the 1980 surveys.

Question. Is additional funding required to keep the data collection on schedule?

Answer. The additional funds requested in the budget request for FY 1988 are required to keep this data collection on schedule.

As this is a two-year effort, funds to maintain NCHS' portion of the data collection costs will be necessary in 1989.

HISPANIC HEALTH AND NUTRITION EXAMINATION SURVEY - DELAY IN PUBLICATION

Question. Data collection for the Hispanic Health and Nutrition Examination Survey was completed in Fiscal Year 1985. The budget requests $1.6 million to continue analysis of the data and the release of reports. When do you anticipate the final publication of this survey?

Answer. The data release and analysis program for the Hispanic Health and Nutrition Examination Survey is an on-going one consisting of three major activities: preparation and documentation of public use data files to encourage analysis of the data by many researchers; presentations of results at professional meetings; and publications of analyses of results. To date, over 150 data tapes have been provided to 22 different universities, research institutions, or private companies. Many different analyses are currently underway through this effort. Staff of NCHS and others working with the Center have made or will make shortly more than 14 presentations of significant results to a variety of professional groups, including the American Public Health Association, and the Federation of American Societies for Experimental Biology. Topics covered in articles submitted for journal publication to date include dental health, growth and development, and immunization status. In addition, Hispanic researchers at five universities are analyzing data regarding health service utilization, dental and oral health, cancer risk factors, chronic illness, and cigarettes, alcohol, and drug usage. In the next several years, many analyses on many different topics will be published both in NCHS and in professional publications by numerous authors.

Question. What has caused the delay in publication?

Answer. The length of time to publish the results from this survey is not unusual for a study of its magnitude and scope of topics covered. A priority effort has been devoted to thoroughly documenting the data and study protocols and to make data tapes available to the research community.

This up-front investment of staff time, while perhaps seeming to delay the publication of the results of the survey in printed form, is beginning to reap the benefits in that the number and coverage of data analyses is being greatly increased by the multiplicity of researchers both within and outside government able to access the data and produce their own findings.

FAMILY PLANNING ABORTION FUNDING BAN

Question. What is the current status of reported efforts to end family planning grant support to grantees that provide abortions or abortion counseling in addition to family planning counseling?

Answer. There are a number of actions currently being taken to ensure that the Title X national family planning program is managed fully consistent with existing law and applicable rules and regulations.

On February 5th, the Secretary issued a memorandum to all Regional Health Administrators regarding eligibility for federal funds under the Title X family planning program. In that memorandum, the Secretary expressed the Department's commitment to the enforcement of current Title X mandates, and he called particular attention to the PHS Grants Administration Manual concerning Exceptional Organizations. Under this section of the grants manual, organizations which advocate a position that is not germane to or is in conflict with the purposes of the prospective grants may be identified as "exceptional organizations" and warrant special precautions, controls, close monitoring and possibly not funding the organization. The memo states that these longstanding rules for grants administration must be applied to both current and propective grantees with a clear awareness of the Title X mandate, including the clear directive of section 1008, which states, "no funds may be used in programs where abortion is a method of family plannning."

In addition, the Department has sent proposed legislation to Congress designed to protect the rights of unborn children. Among other things, the legislation would ensure the future integrity of the family planning program by providing that no Title X funds may be awarded to any organization which provides abortion procedures or referral for abortion procedures unless the life of the mother would be endangered by carrying the fetus to term. Title X funds directly administered by a State or political subdivision would be excepted from this provision.

Question. How many grantees other than affiliates of Planned Parenthood Federation would be affected by such a funding ban?

Answer. If the proposed legislation is accepted by Congress all agencies receiving funds would be subject to the law as it is written. Current service providers would not be affected if their operations are in compliance with the law, rules and regulations.

Question. What information do you have on the availability of alternative providers of family planning services in localities currently served by Planned Parenthood clinics if such clinics were banned from grant support?

Answer. If Federal funds to Planned Parenthood were discontinued, there is a network of other health providers, both public and private, capable of providing organized family planning services. These include city and county health department, community health centers, hospitals and other clinics. At the present time only about one fifth of the services provided under the Title X program are provided by Planned Parenthoods. Moreover, we are aware of many groups that would be prepared to open new clinics in underserved areas if funds currently provided to Planned Parenthood were made available to them.

PHYSICAL FITNESS - ELDERLY AND HANDICAPPED

Question. What activities does the President's Council on Physical Fitness and Sports support to focus on the physical fitness of the elderly?

Answer. The President's Council on Physical Fitness and Sports is, or has been, involved in several physical fitness activities for the elderly including the following:

- Through a cooperative arrangement with the National Association of Area Agencies on Aging and Travelers Insurance Company, the President's Council provides public education materials free of charge on the proper exercise for older adults. Approximately 250,000 copies of the material are distributed each year.
- Regional clinics include activities benefiting older adults such as fitness walking and aquadynamics, which is an alternative to lap swimming.
- The Presidential Sports Award program, with 43 participating sports-fitness categories, has primary appeal to masters-level adults by encouraging regular participation over several months. The award includes a prestigious emblem and Presidential certificate. Companies, hospitals, health clubs, parks and recreational organizations encourage groups and individuals to participate.
- In 1988, particular emphasis will be placed on developing co-sponsored projects designed to train teachers and volunteers in the administration of appropriate exercise programs for various target populations including older people and the handicapped.

Question. What are their efforts on behalf of the fitness of the physically and mentally handicapped?

Answer. The following activities foster physical fitness for the physically and/or mentally disabled:

- The President's Council on Physical Fitness and Sports (PCPFS) has co-sponsored competitive sports events with the Veterans Administration and the Disabled Veterans of America.
- Sessions in techniques and methodology for conducting physical activities for the disabled are part of PCPFS regional clinics for teachers, coaches and fitness leaders.
- The PCPFS works with the Kennedy Foundation and the Special Olympics in program activities and leadership development for the mentally disabled.
- The PCPFS is working with leaders in the field of physical education for the disabled on a national plan for assessment of the fitness status of the disabled youth and a fitness emphasis for this population.

PHYSICAL FITNESS OF OUR NATION'S YOUTH

Question. What, in your view, is the current physical fitness of our nation's youth compared with 10 or 20 years ago?

Answer. Recent studies by Public Health Service sponsored research shows a need to be concerned about the fitness levels of many of our children and youth.

A national study conducted by the President's Council on Physical Fitness and Sports (PCPFS) with the University of Michigan shows:

- o A larger percentage of boys and girls are not doing well on selected tests of heart/lung endurance and muscular fitness today than 10 and 20 years ago. Low levels of fitness as measured by these fitness tests are associated with health problems.

- o Girls either declined or stayed at the same level of performance after the age of 14.

A study sponsored by the Office of Health Promotion and Disease Prevention showed youth are more obese than they were 20 years ago.

To help reverse this trend, the President's Council co-sponsors many projects geared toward improving youth fitness:

- o Presidential Physical Fitness Award - This program has been revised to cover ages 6-17. It recognizes youth who score at a designated level on a series of physical fitness test items. Over eight million boys and girls have qualified for this award since it was started in 1966.

- o Physical Fitness Demonstration Centers - Participating States recommend elementary and secondary schools that represent the highest quality of physical education programs with an appropriate emphasis on the contribution of physical fitness to health and a dynamic quality of life. These schools are certified by the PCPFS as demonstration centers and serve as referrals for people interested in visiting model programs.

- o ABC Fun Fit - The Council is working with ABC-TV in the production of a half-hour prime time television show on youth fitness designed for children aged 8 to 10. It will feature Mary Lou Retton, the Olympic gymnastics star, and several children demonstrating fitness activities and giving the audience a series of test questions on fitness.

- o Navy Cooperative Emphasis on Youth Fitness - Fun and Fitness is a youth fitness program, developed in cooperation with the Navy, designed to enhance the physical fitness of youth ages 6-18 through participation in a variety of sports and fitness activities.

NUTRITION AND HEALTH

Question. What were the most significant findings of the Surgeon General's Report on Nutrition and Health? What population or age groups are most deficient in nutritional health and would benefit most from a strong focus of attention from your office's nutrition initiative?

Answer. The Surgeon General's Report on Nutrition and Health reviews what is currently known about the role of diet in health promotion and disease prevention. The Report is in progress and the content is still undergoing extensive internal and external review. This process is expected to be completed by the Fall and the findings will be released at that time.

There are two major categories of nutritional problems in the United States, those of undernutrition and those of overnutrition.

Undernutrition, the deficient intake of energy or nutrients, is relatively rare here. Low income and minority groups are most at risk, especially pregnant women, infants, young children, and the elderly. Undernutrition is manifested as anemia, low infant birthweight, medical problems during pregnancy, and poor growth and development during childhood. Pregnant adolescents are especially prone to consequences of undernutrition.

In contrast, chronic diseases, due in part to overconsumption of dietary factors, are responsible for more than 70 percent of annual deaths in the United States. Diet-related chronic diseases also cause much disability among Americans. These conditions affect all American adults but the incidence of many of them is higher in low income and minority groups.

COST EFFECTIVENESS OF NURSE MIDWIVES

Question. Last year, the Committee requested the National Center to conduct an evaluation of the cost effectiveness of certified nurse-midwives. What is the status of that evaluation?

Answer. The Congressional Office of Technology Assessment published a policy analysis on the costs and benefits of nurse mid-wives in December, 1986.

NCHSR is conducting an analysis of this work to determine what additional study may be necessary. The Committee will be notified upon completion of this analysis.

NATIONAL PLAN ON PREVENTION OF DISABILITIES IN AMERICA

Question. In last year's report, the Committee required the Office of Disease Prevention and Health Promotion to develop a national plan for the prevention of disabilities, including budget projections. In addition, the National Council on the Handicapped was to have significant input to and review of this plan.

What progress can you report on the development of this plan?

Answer. A "Report of the National Plan on Prevention of Disabilities in America" was prepared by the Office of Disease Prevention and Health Promotion in collaboration with the National Council on the Handicapped. It was submitted to the Senate Committee on Appropriations on February 25, 1987.

The report addresses:

-- Initial plans to expand upon 1990 Health Objectives to include primary and secondary prevention of disabilities;

-- Initial identification of existing data collection efforts--related to disabilities in the American population; and,

-- Inclusion of prevention of disabilities as an appropriate subset of national objectives being developed for the Year 2000.

Question. What has been your working relationship with the National Council on the Handicapped?

Answer. Staff of the National Council on the Handicapped (NCH) are collaborating with the Office of Disease Prevention and Health Promotion (ODPHP) to develop a readily identifiable plan for reducing the incidence and prevalence of disability by 1990. The NCH will review the development and implementation of the plan on a continuing basis, providing advice and counsel and substantive information about disability.

The strategy for the year 2000 will more fully define the achievements possible through the prevention of primary and secondary disabilities. The ODPHP will work with the NCH to this end. Various interagency mechanisms are now being explored to ensure that disability experts, care providers, service organizations, and other appropriate constituent groups are an integral part of the development process.

RETIREMENT PAY

Question. The budget request includes $5 million for a reserve fund in the Retirement Pay and Medical Benefits for Commissioned Officers Appropriation. Why are you requesting a reserve fund?

Answer. The FY 1988 budget request changes the nature of this account from an indefinite appropriation to a definite appropriation. A reserve fund is requested to meet any shortages resulting from unanticipated costs in retirement payments, survivor's benefits and/or medical care. These payments are mandatory because this is an entitlement account.

Question. How was the $5 million figure derived?

Answer. An analysis was done comparing the budget request to actual obligations for the last several years. $5 million was determined to be a more than sufficient amount to cover any unanticipated costs which may occur in this account.

PUBLIC HEALTH SERVICE - AGENCY FOR INTERNATIONAL DEVELOPMENT

Question. In last year's report, the Committee observed: "The Committee continues to be supportive of efforts by the Department in the area of international health and urges the U.S. Public Health Service to work collaboratively with the Agency for International Development in this regard."

Are there projects that can be jointly funded by the two Departments? What would the nature of these projects be? What type of funding would be required?

Answer. Yes, there are projects that can be jointly funded by the two Departments.

There are already a number of projects which are jointly funded. I believe that these serve as good illustrations not only of what is being done now, but the type of activity and projects that can be jointly supported to a greater extent in the future.

An important example of PHS and AID joint funding is in the area of vaccine development. Under an agreement, signed between the PHS and AID in FY 1985, AID has provided over $5 million for the development of vaccines that will benefit developing countries. Among these vaccines are the Rhesus Rotavirus Vaccine, which was developed at the National Institute of Allergy and Infectious Diseases. Rotavirus is a major cause of infant and early childhood diarrheal disease, both here and abroad. Both AID and PHS funds are going into the development of this vaccine. Similarly, AID and PHS resources are being used for support of studies of an acellular pertussis vaccine. While an effective pertussis vaccine is already widely used, this vaccine has an unacceptable rate of minor and major side effects and requires multiple doses. For these reasons, the development of an improved vaccine is of great importance in both the developed and less-developed worlds. There is also a mutual interest and sharing of resources on malaria vaccine development. These are just three examples of joint funding in the vaccine development field. Clearly, with the rapid advances in the whole field of immunology and the breakthroughs in biotechnology, the opportunities for cooperation between the two agencies on the development of vaccines and diagnostic and other applied research is great. We would expect to see further joint efforts.

Another area is food safety. AID has provided funds to support visits by Food and Drug Administration experts to some countries to advise other governments on FDA regulations and procedures for assuring the safety of foods offered for sale to the United States. From AID's perspective, these consultations assist the other countries in their trade and development programs. From our perspective, they help protect the American consumer.

There is, of course, enormous potential for joint international cooperation between AID and PHS on Acquired Immunodeficiency Syndrome (AIDS). We are now working in a coordinated parallel fashion. Our emphasis internationally is in research and information sharing, while AID is focusing on control and prevention in the developing world. The results of our research and other activities can easily be tied into AID's programs.

NCHSR GRANT AWARDS

Question. How many new health services projects will be initiated during Fiscal Year 1988? How does this compare with the number of awards granted in Fiscal Year 1987?

Answer. In Fiscal Year 1987, NCHSR plans to award 16 new grants. In Fiscal Year 1988 the Center estimates awarding 11 new grants, a decrease of 5 new grant awards. The reason for the decline in new awards is due to increased requirements for a greater number of grant continuations.

FUNDING LIMITATION

Question. Will any significant research activities have to be delayed because of the funding limitation?

Answer. No significant research activities will have to be delayed in Fiscal Year 1988.

TECHNOLOGY ASSESSMENTS

Question. How many technology assessments are currently underway at the Office of Technology Assessment? At whose request are such assessments being performed?

Answer. At the present time, 38 assessments are being performed by the NCHSR Office of Technology Assessment at the request of HCFA and one at the request of the Office of the Civilian Health and Medical Program of the Uniformed Services (OCHAMPUS).

AIDS TESTING

Question. Last week, the Centers for Disease Control (CDC) sponsored a 2-day public meeting on its proposal to require mandatory testing of certain individuals, including hospital patients, pregnant women, and applicants for marriage licenses, for exposure to the AIDS virus. I understand that the concensus from the meeting is not to require mandatory testing. What can you tell us about the conference?

Answer. CDC convened a conference February 24-25, 1987, to discuss public health, medical, and public policy issues about broader implementation of antibody testing for HIV, the human immunodeficiency virus that causes AIDS. Approximately 700

people from public health, clinical medicine, professional organizations, AIDS support groups, and other affiliations attended.

Presentations during the opening plenary session summarized the current status of HIV antibody testing, including the facts that: the tests are highly sensitive and specific; they are being used successfully to screen blood and plasma; the tests are being used successfully in counseling and testing sites, although this is reaching only a fraction of potentially affected people; and the potential exists for the tests to be used much more widely as the basis for prevention and education if the issues of confidentiality of information and protection of personal rights can be assured.

In the workshops, 3 panels considered a series of questions about use of the antibody tests.

The workshop on confidentiality considered the question about broader use of testing without the information being misused for discrimination. The panel concluded that the public health record on protecting confidentiality has been good, but that real problems exist in protecting information in clinical settings. They stressed the need for both Federal and revised State legislation to upgrade confidentiality protections and to prohibit discrimination against people with AIDS or any other stage of HIV infection. The panel also stated that increased testing is useful as an adjunct to education and other prevention efforts, but that mandatory or compulsory testing is not useful.

The workshop, considering the role of antibody testing in preventing sexual and parenteral transmission of HIV, also concluded that mandatory testing would be counterproductive, but that health care providers should be more assertive in encouraging people at risk to have routine HIV antibody testing as part of counseling and education. Sites where testing and counseling should be routine include STD clinics and treatment programs for drug dependent people, as well as their spouses and sexual partners. In addition, sexual partners of people with HIV infection should be informed of their potential exposure, counseled, and tested.

The workshop, considering the role of antibody testing in preventing perinatal transmission of HIV and as a diagnostic tool, concluded that testing should be offered routinely by health care providers to people seeking family planning services and prenatal care. They concluded there was no role at present for routine testing of people admitted to a hospital, or getting married.

CDC will use the information presented and the summaries from the workshops to formulate tentative recommendations that will be discussed on March 17, 1987, with officials of the Association of State and Territorial Health Officers. Based on these discussions and others as appropriate, CDC will forward recommendations to the Assistant Secretary for Health by early April.

Question. Since we will not have mandatory testing and because we have no cure or effective treatment, is the $103.9 million proposed for information and education programs enough? Shouldn't we launch a truly aggressive information and education program?

Answer. In fiscal years 1987 and 1988 we have planned significant expansion of our information/education activities. However, we have learned with the AIDS epidemic that we must be continually reassessing our programs and our needs in light of the new information about the problem and new opportunities for prevention or control.

Question. Please describe the efforts your department is undertaking with the Department of Education to inform children and college students about the AIDS virus and its transmission.

Answer. Members of our staff met with Department of Education (DOE) staff to share information about CDC's school-based program to prevent the spread of AIDS. The DOE was also an invited participant at a meeting of various national school-related organizations representing teachers, administrators, parents, and others who met in Atlanta to suggest plans for this program. Written documents related to the development of the program have been shared with DOE for their review.

AIDS FUNDING

Questions. Dr. Windom, the Public Health Service oversees many programs that address the AIDS problem, including research, education and prevention. The Institute of Medicine recently issued a comprehensive AIDS report that called for a research commitment of $1 billion a year by 1990 and $1 billion a year for education and prevention.

What is your reaction to their funding proposals?

Answer. We agree with the IOM that more needs to be done in the area of AIDS public information. In fact during FY 1988 we plan to spend about $104 million on information and education activities, an increase of about $24 million over FY 1987. However, we do not agree with the IOM that the Federal government necessarily needs to substantially underwrite $1 billion a year primarily for direct advertising, especially expensive TV time, to get the message on AIDS prevention across to the American public.

The PHS has not paid for such direct advertising in the past and questions whether to do so would be the best use of Federal monies. PHS believes it is more appropriate to continue its current efforts to explore opportunities with industry and public and private organizations for shared advertising.

We are committed to assess each year the adequacy of Federal resources for AIDS, and will continue to work with States, local governments, and voluntary and community service organizations to prevent the spread of AIDS. Even the IOM acknowledges that these other levels will have to share in the cost and effort of AIDS education activities.

AIDS INFORMATION AND EDUCATION

Question. How well are your current information and education programs working?

Answer. The Centers for Disease Control initiated a program, Alternate Testing Sites, of counseling and testing, which began in April of 1985 with the purpose of protecting the Nation's blood supply. Concern that people at high risk for AIDS virus infection may donate blood to determine their antibody status prompted the establishment of this program. The aim was to provide such persons an alternate place to receive sensitive counseling and testing under the most discrete circumstances possible.

During calendar year 1985, 874 sites opened to test 79,083 persons. Of these, 17.3% were seropositive. The positivity rate in blood donation facilities was .4% for the same period. The 43-fold difference clearly demonstrates the wisdom of establishing the sites and the extent to which they accomplished their mission.

In 1986, PHS recommended that AIDS virus antibody testing be expanded to include sexually transmitted disease clinics and other clinics serving high risk populations. The first step was taken to integrate these facilities into community-wide programs of AIDS health education and risk reduction because counseling and testing activities remain the core of efforts to provide AIDS prevention messages to those at high risk as individuals, rather than just as members of groups or the general population. Provisional figures for calendar year 1986 indicate that over 121,000 people were tested and nearly 19% were found infected with the AIDS virus.

Nearly all of the 55 States and localities receiving funds in 1986 under the AIDS health education/risk reduction program have begun activities to inform risk groups and the general public about the AIDS problem. However, these activities are merely a response to existing demands for information and are preliminary to the main thrust of the program which will materialize during FY 1987.

The health education/risk reduction program is designed to attack the AIDS problem, after the problem has been defined. Each area must determine its prevalence of HIV infection and of knowledge, attitudes, and behaviors among risk groups and the general public. Therefore, aside from hiring staff, becoming organized, taking inventory of available AIDS-related services, and providing AIDS information of various types, health education/risk reduction programs have been concentrating on conducting the sometimes difficult surveys needed to define the problem which they are going to address.

Once the baseline data are available and analyzed, each program will be establishing very specific and very measurable objectives, shaping plans to reach the objectives, and working with various community-based organizations to implement and evaluate a carefully targeted and comprehensive program initiative.

The Alcohol Drug Abuse and Mental Health Administration has also put into effect a successful AIDS information and education program in coordination with State drug abuse authorities, the National Institute on Drug Abuse (NIDA) developed and pilot tested a comprehensive AIDS training program for drug abuse counselors and administrators. A core curriculum and manual have been developed and are in the process of being published. So far, the training program has been delivered to 1,800 counselors and administrators in 20 States. In addition, 100 representatives of the State agencies have been trained to deliver the AIDS training program. The response to the training has been excellent and demand for the training has grown. Through State trainers, and individuals who have participated in the training program, many thousands of individuals at high risk are receiving AIDS information and participating in educational programs.

Question. What efforts have you made in designing a National Public Information Campaign? How will it be implemented?

Answer. Information/education efforts to prevent the sexual transmission of AIDS will encompass a number of major activities. This fiscal year we are planning to conduct a major national public information campaign. This mass media campaign will reach the public through television, radio, and the various print media at the national and local levels. It will provide the broad backdrop for intense State and community efforts that will be carried out across the country. We will be contracting with a national communications agency to assist in the planning and design of this multimedia campaign.

We are continuing on other fronts to get information to people who need it. In September 1986, we contracted with the American Social Health Association to take over the operation of the national 24 hours, 7 days a week AIDS Hotline. The Hotline offers a taped message and referral to an operator for further information. The number of calls has steadily increased with taped messages.

We are continuing to distribute PHS-developed public service announcements, as well as, publications and other materials prepared in collaboration with the American Red Cross and other organizations. To date, we have distributed about 325,000 copies of the Surgeon General's Report on AIDS, and other private organizations have reproduced thousands of copies for distribution. CDC has sent camera-ready copies of the report to all AIDS program coordinators.

This fiscal year, we will be establishing a national AIDS information clearinghouse system designed to facilitate access to information needed by the public at large and by State and local AIDS program personnel engaged in developing, or conducting, AIDS prevention and control programs. The clearinghouse will develop and maintain inventories of available AIDS information, and assist State and local AIDS program personnel in obtaining, developing, and using information about AIDS. It will identify and assist in filling information gaps through the development or identification of needed information for such groups as minorities, which require specialized emphasis and culturally sensitive materials. Lastly, it will provide a mechanism for the distribution of PHS information materials. We expect to award a contract for this project in August 1987.

We plan to bring together major public and private sector organizations, that are currently actively involved in the fight against AIDS, or which could make significant contributions to our Nation's effort to stem the epidemic. Our goal is to provide a continuing forum for the exchange of information and the coordination and stimulation of voluntary information/education programs.

Question. Will you continue support of the 24 hour AIDS hotline? How is it being used? What kinds of information are people asking?

Answer. Yes, funds are included in the President's request to continue this very important service.

Regarding its use, the number of calls steadily increased throughout the first month of operation; taped messages went from 600 calls to a peak of 1,700 per day, and operator calls rose to 700 per day versus 250 daily when the service was at CDC. So far during March, the hotline is receiving peaks of 2,000 calls per day to the taped message, and has exceeded 900 calls to the operators. Both volumes are almost triple what the hotline experienced before it was converted to operating 24 hours per day and 7 days a week. Over one-fourth of the operator-answered calls are being received on weekends or holidays and 30 percent are received between the hours of 6 p.m. and 8 a.m. Both findings indicate the wisdom of the expansion of services. Males seem to be the more frequent callers (52%). Written information was requested by 16% of the callers, with twice as many requests for materials coming from women than from men.

The contractor has been sampling to determine the kinds of information people call to obtain. Looking at every fifth operator call, they found that most were to request information (89%), with the highest demand for information focusing on means of transmission (33%), general information (27%), or testing (15%). For instance, the hotline is receiving many calls from men concerned about having had sex with prostitutes. Also, callers are concerned about transmission via saliva. The topic of calls is often dictated by events in the media.

Question. Is any of this money going to schools and colleges to educate students about the Nation's number one public health concern? How do these programs work?

Answer. CDC's initiative to help schools nationwide provide effective education to prevent the spread of AIDS will incorporate five broad strategies:

1. Cooperative agreements will be awarded to national organizations that have the organizational capacity, experience, and constituencies to help schools in communities across the Nation provide effective education about AIDS.

2. Cooperative agreements will be awarded to assist State and local education departments that serve jurisdictions with the highest cumulative incidence of AIDS to provide effective education for school-age populations.

3. Additional support will be provided to three or four departments of education to establish training and demonstration centers.

4. An annotated computerized bibliography of AIDS education materials will be made available to education personnel. Assistance will be provided to relevant private sector organizations to develop, evaluate, and disseminate a variety of AIDS education materials that are technically accurate and meet varying community needs.

5. The results of research that could improve the effectiveness of school health education to prevent the spread of AIDS will be compiled, synthesized, applied, and disseminated. Assistance will be provided to national, State, and local agencies to evaluate and improve their program efforts.

As part of the broad program, special efforts will be made to reach black youth, Hispanic youth, school drop-outs, and college students.

Question. Are AIDS educational materials being proposed in several languages to reach as many people as possible?

Answer. Yes, "Facts about AIDS", which has been the major educational document produced by PHS since 1983, has been translated into Spanish several times. The newest edition of this booklet is being translated now. One edition was translated into braille, but there was little demand for it. The Surgeon General's Report on AIDS is currently being translated into Spanish.

Question. What are your efforts regarding the education of health care professionals?

Answer. Our Nation's health care workers represent a major channel for providing accurate AIDS information to patients, sex partners of patients, friends and family members of patients, and the public. A number of the PHS components have been actively involved in this aspect of our information/education strategy.

In ADAMHA, work has been moving along two fronts. In NIDA, educational activities are focused on providers who come in contact with drug abusers. Their activities include the development of training manuals, training workshops, and the development of videotapes and other materials in English and Spanish. Their emphasis is placed on building State and local training capacity. NIMH is working with academic institutions throughout the Nation to train all types of AIDS health care workers to recognize, refer, and treat the mental health elements of the disease. The training institutions are linked, to one another and to research centers, in order to share the best educational techniques and the most current research findings.

NIAID has been sponsoring regional conferences for health care professionals and support personnel. This year conferences are planned in Nashville, Atlanta, Minneapolis/St. Paul, Seattle, Denver, and San Diego. The conferences will provide information to nurses and social workers. In 1988, NIAID is planning to produce a series of videotapes for distribution to medical groups and medical schools.

NHLBI is initiating an educational program about blood donation in collaboration with American Red Cross, the American Association of Blood Banks, and the Community Council of Blood Centers.

NIDR is developing posters and leaflets for use in dental offices, clinics, and schools and is working with NIAID to design conferences aimed at dental care providers.

In fiscal year 1987, HRSA will award grants to develop three regional education and training centers to provide collaboration with health professional schools, local hospitals, and health departments to provide education and training to primary care providers on the treatment and prevention of AIDS and AIDS infection. In 1988, the budget includes funds to add an additional seven.

CDC is engaged in a wide variety of activities ranging from the issuance of guidelines in the MMWR through the provision of camera-ready copies of the Surgeon General's Report on AIDS, and including courses for laboratory workers in latest testing techniques. In 1987, CDC will provide additional specialized training to program coordinators, AIDS health educators, AIDS antibody test counselors, and other health providers. They also will be developing training modules and educational materials to train practicing dental professionals and dental students about infection control procedures.

AIDS FUNDING NEEDS

Question. Nevertheless since these figures were developed last August, what have we learned since then that might suggest the need for more funding?

Answer. AIDS resource requirements are constantly being monitored and reviewed and PHS is committed to continually assess the adequacy of Federal resources available for AIDS. Currently PHS is reviewing and reassessing their resource requirements.

Question. I understand that on March 23 and 24 Dr. Gary Noble, your AIDS coordinator, will hold a review with all the Public Health Service agencies to learn how their funding needs may have changed. Will you share that information with the Subcommittee?

Answer. Yes, once our review of the recommendations coming out of the conference of March 23/24 are completed, we will share the information with the Subcommittee.

AIDS VACCINE & DRUGS

Question. What do you see the prospects for developing a vaccine, and when will that be?

Answer. We are encouraged about the prospects of a vaccine for AIDS and considerable progress has been made toward that goal. A great deal of work remains to be done, however, before an effective vaccine will be available. A number of candidate AIDS vaccine preparations have been made using a variety of scientific approaches. Some of these preparations are currently being tested in animals for safety and it is likely that early phase one testing in humans with one or more preparations may begin before the end of 1987 or early 1988. If the phase one tests are successful, the vaccine candidates will move to larger phase II studies and finally to efficacy trials.

Despite our rapid advances, given the nature of the AIDS epidemic and the complexities and scale of efficacy trials, it is likely to take five to eight years for a vaccine to be available. It is reasonable to assume that, if all goes well, a vaccine could be available in the foreseeable future.

Question. What do you see developing for treatment drugs, such as AZT, which prolong life? Are there any other treatment drugs on the horizon?

Answer. The first large, multicenter protocols that were activated are evaluating azidothymidine, since this is the only agent to date that has demonstrated any significant benefit in treating HIV infection. Additional information must be learned concerning the safety and efficacy of this agent, both alone and in combination with other drugs. Some of the combination studies planned include trials of AZT with ganciclovir, desciclovir, interferon, IL-2, and acyclovir. Other drugs that potentially may be effective in treating HIV infection include foscarnet (phosphonoformate), dideoxycytidine and ribavirin. We are also planning studies that will address both treatment and prophylaxis of the opportunistic infections and neoplasms associated with AIDS. The AIDS Clinical Drug Development Committee meets each month and is reviewing material on a number of new agents, including agents that are claimed to stimulate the immune system. Ultimately, these agents may prove useful in combination with effective antiviral drugs.

There are three components of the NIH that are intimately involved in AIDS drug development: The National Institute of Allergy and Infectious Diseases, the National Cancer Institute, and the Office of the Director, NIH.

The NIAID has established short and long term plans for drug development. NIAID established a screening program for HIV to test for the serendipitous discovery of new compounds for AIDS. This program was established with the United States Army Medical Research and Development Command to fulfill an immediate need. Out of this program four compounds have been identified with sufficient activity against HIV to warrant further development. The pharmaceutical industry is anxious to develop drugs identified as having the potential to inhibit HIV. Interactions between industry and NIAID have been positive, and two compounds identified in the screening program are being developed by industry. NIAID has interacted with the supplier to the screening program and the staff of NCI for the entry of two of the compounds into its preclinical development program for toxicology, pharmacology and scale up synthesis of the drug.

At the preclinical level the emphasis is placed on developing drugs for AIDS as rapidly as possible. To do this we have encouraged pharmaceutical companies to participate in the National Cooperative Drug Discovery Group Program for the Treatment of AIDS. A meeting was held on January 28, 1987, with representatives from the pharmaceutical industry and the funded Drug Discovery Groups to increase the level of interaction and to address the concerns raised by the private sector. Smith Kline and French and Bristol Myers are interacting with groups funded last year. Many other companies are attempting to participate in the program this year. The NIAID has also solicited applications for animal models to test for the efficacy of identified compounds for the treatment of AIDS, to target drugs to infected cells, and compounds to the central nervous system, and to analyze biological response modifiers in combination with antiviral drugs.

These are exciting times in the field of antiviral drug development. Already through the efforts of NIH and industry it has been shown that a therapeutic approach is possible. The results of AZT are encouraging for a first generation drug. We are hopeful that other more effective and less toxic compounds will be identified in the future. Some compounds of immediate interest are dideoxycytidine (ddC), dideoxyadenosine (ddA), dideoxyinosine (ddI), certain synthetic peptides, synthetic "anti-sense" oligonucleotides and other drugs in stages of preclinical development. Other compounds, such as ribavirin are also promising. Still others, such as alpha interferon, foscarnet, AL721, Imuthiol, and Isoprinosine, need to be evaluated in clinical trials before we know what their possible benefit might be.

AIDS PREVENTION PROGRAMS

Question. Intravenous drug users are the second largest group at risk. What prevention methods are you employing to reduce the spread of AIDS among this group?

Answer. The major risks related to the spread of AIDS among and by intravenous drug abusers are in needle sharing and sexual transmission. Where needle use/sharing is concerned, NIDA's approach is to support research to improve outreach, improve retention of these clients in treatment, and increase the effectiveness of treatment for IV drug abusers. Included in this longer range strategy to reduce the prevalence of IV drug abuse are development of more effective outreach, therapeutic regimens, such as psychotherapies, behavior therapies, better client-treatment matching, use of pharmacological agents to treat associated psychopathology, and effective aftercare. Among the pharmacological interventions being considered for development is Buprenorphine, a mixed agonist-antagonist preparation which may be more efficacious in treating some IV opiate addicts, especially those who continue to abuse opiates while in methadone maintenance.

Recognizing that this treatment-based approach will not be effective for all, counseling components are being developed for programs to make clients aware of the risks in needle sharing and sexual transmission, in an attempt to bring about changes in risk-related behaviors. One project in the San Francisco Bay area attempts to reach addicts who are not in treatment and teach them first, about the risks inherent in needle sharing, and, second, for those addicts who persist in needle sharing how to clean and disinfect syringes and needles using a household bleach solution.

Sex education components are being added to some treatment programs, offering advice on reducing the risk of contracting/spreading infection through the use of condoms. Prospective mothers who are addicted are counseled on the risks to unborn infants.

DRUG ABUSE FUNDING

Question. Does it make any sense at all to cut drug treatment funds in the context of trying to stop the spread of AIDS?

Answer. We are not proposing to cut drug treatment funds in FY 1988, but, rather, to expand the large increase appropriated in 1987 over two years as allowed by the Congress. Technically, all their funds are shown as being obligated in 1987 when in fact they will cover the two years. We believe that our policy reflects Congressional intent to allow us flexibility in implementing the initiative to assure responsible management and sound fiscal control. Further, we are in FY 1988 requesting approximately $54.4 million in AIDS funding to continue or expand current research efforts, as well as health education and information dissemination activities.

NUMBER OF AIDS CASES

Question. At this time there are over 30,000 reported AIDS cases, a number that doubles every 13 months. I should note that my state of Florida ranks third in the number of AIDS cases, and our total doubles every 12 months. By 1991, there will be 270,000 AIDS cases in the United States. From the blood screening done by the Red Cross and the Defense Department, what do we know about the number of people infected by the AIDS virus? Is the number stabilizing or is it still increasing?

Answer. Blood screening by the Red Cross and the Defense Department can only give minimum estimates of the number of Americans infected with the AIDS virus because blood donors and military recruit applicants are self selected, and at least partially, exclude the major risk groups of hemophiliacs, intravenous drug abusers, and homosexual men. However, it will be important to monitor trends in infection levels over time in both donors and recruits.

Based on military recruit data, adjusted to reflect the age and sex distribution of the general population, 1.1 per 1,000 or about 270,000 infected Americans would be an absolute minimum estimate. However, since the highest risk groups are underrepresented among military recruits, the real figure must be at least several-fold higher, probably in excess of 1,000,000. The previous estimate by the Public Health Service of one to one and one half million infected Americans was made independently from estimates of numbers of homosexual men, drug abusers, etc., multiplied by the estimated average levels of infection in these groups.

Data from the first 15 months of testing military recruit applicants have not indicated higher rates of infection in this group. Since testing was begun in October 1985, the infection level has remained stable at 1.5 per 1,000. However, there may have been an increase in self deferral by persons knowing, or suspecting, that they were infected, which could have masked a background increase in the general population. Among American Red Cross donors, the rate of infection overall has decreased from an initial 0.36 per 1,000 in the spring of 1985 to 0.14 per 1,000 in the last quarter of 1986. Most of this decrease can be attributed to the elimination from the repeat donor pool of persons previously found positive. It is essential that trends in recruits and blood donors be evaluated by comparison with trends in a sentinel group, not biased by self selection. One such group, patients without AIDS-related conditions tested anonymously in sentinel hospitals, was begun in September 1986. It is too early yet to determine infection in this sentinel system.

Question. What new surveillance and epidemiological studies were initiated in fiscal year 1987? What high risk populations are you studying? How do you propose expanding these efforts in fiscal year 1988?

Answer. New and expanded surveillance activities in Fiscal Year 1987 include serologic surveys in a number of State and local health departments among accessible populations at increased risk of infection, patients at drug treatment centers, homosexual and heterosexual patients at sexually transmitted disease clinics, and infants and prenatal women at hospitals and clinics in areas where infection and AIDS among women has been appreciable. Those survey/monitoring projects will be expanded through CDC and NIDA in 1988.

The sentinel hospital-based anonymous surveillance of infection in the general population will be expanded from 5 hospitals in FY 86 to an additional 10 hospitals in FY 87. Additional sentinel hospitals may be added in 1988.

The CDC supported monitoring of infection levels and trends among American Red Cross blood donors will be offered to other blood collection agencies in FY 1987. This collaborative surveillance system of blood donors will be maintained in 1988.

An extension of this surveillance, which will be initiated in 1987-88, will be the systematic follow-up of a sample of infected blood donors to determine the potential source of infection.

A systematic follow-up of infected military recruit applicants, another general population subgroup, in selected areas is being initiated in FY 1987 through collaboration of the Department of Defense, CDC, NCI, and the concerned State and local health departments. This project will facilitate the monitoring of trends in modes of infection in this group, as well as, assist infected individuals in receiving locally available counseling and support services.

New or expanded epidemiologic studies include: a study of HIV infections in children acquiring the virus from their mothers; a study of the transmission of HIV in a select population of heterosexuals; a study of increased mortality among intravenous drug abusers in New York City; expanded studies of children and other populations in Zaire, and of individuals with hemophilia in the United States; studies of the natural history of AIDS and HIV infection in homosexual and bisexual males will be expanded to include two additional cities; a study of AIDS in prisoners; a study of family members and sex partners of heterosexual AIDS patients in New York City; studies of transfused blood recipients of infected donors (both adult and pediatric); a study of heterosexual transmission of HIV from persons with transfusion-associated infection; and a study of the seroprevalence of antibody to HIV in selected pediatric populations.

High risk populations being studies include: homosexual/bisexual males; intravenous drug abusers; transfusion recipients of HIV infected donors adult and pediatric; heterosexual sex partners of AIDS and HIV infected persons; HIV infected mothers and their children; family members and sex partners of heterosexual AIDS patients; female prostitutes; male sex partners of HIV-infected homosexual men; recipients of organs from HIV-positive donors; male prisoners; and "no identified risk" patients.

SEXUALLY TRANSMITTED DISEASES - FLORIDA

Question. I am acutely aware of the need for the control and prevention of sexually transmitted diseases because of the alarming rise in statistics in my home state of Florida. For example: In 1986, almost half of the nation's penicillin resistant gonorrhea occurred in Florida. It was reported in 55 of the 67 counties; Florida has the highest rate of infectious syphilis in the United States, that is, 37.6 cases per 100,000 population, and the rate increased by 21% in 1986; in 1986, the incidence of congenital syphilis, a totally preventable disease, increased 222% to 100 cases! Of the 100 reported cases in 1986, 24 ended in fetal or infant death. Do these facts suggest that Florida is at special risk to the spread of AIDS?

Answer. The high rate of STD in Florida does not in and of itself place the population at greater risk of acquiring AIDS. Rather, the high rate of STD is the manifestation of a dangerous perception among many in the population, that AIDS neither poses a personal threat nor provides sufficient reason to alter the type of unprotected sexual activity that resulted in their treatable STD infection. This perception, unless altered through education, will continue to allow people to behave in ways that will increasingly place them at risk of acquiring an AIDS virus infection.

Efforts to control AIDS and STD are certainly converging; the messages delivered to STD patients increasingly emphasize concerns about the risk for AIDS virus infection and measures to prevent it. As STD and AIDS control program efforts are enhanced in Florida and elsewhere, we expect to see declining rates of other STD marking behavior change that will ultimately be reflected in fewer AIDS cases and deaths.

Question. Why is the administration proposing a $4 million, or 8 percent cut in grant funds from last year's appropriated amount of $50 million for the prevention of Sexually Transmitted Diseases?

Answer. CDC is frequently faced with difficult decisions about which, of many, health priorities to focus upon. While it is true that additional funds are not being requested for traditional STD activities, e.g., syphilis, gonorrhea, and chlamydia control, this is primarily because of the urgent need for additional resources, in terms of both dollars and FTE positions, for the health problem with the highest priority - AIDS and HIV infection. In effect, the additional funds requested for AIDS will also assist STD control efforts, since the primary mode of transmission is sexual, and since there appears to be a direct impact of AIDS health education/risk reduction activities on STD morbidity in selected high risk groups.

Cost of AIDS Medical Care

Question. Dr. Windom, I recently heard a report that the Public Health Service is projecting that the direct costs of care for AIDS patients in 1991 will be $8 to $16 billion. The average hospital costs for AIDS treatment range from $50,000 to $150,000 per patient.

I also saw a recent newsletter article which suggested that the Department has projected an increase in Medicaid spending of between $5 and $10 billion during the next five years just from AIDS treatment.

We know now that Medicaid already covers some 13,000 cases of AIDS a year at a total cost of $400 million. Dr. Windom, my question to you is what is the federal responsibility for supporting the cost of treatment for AIDS patients?

Is there a federal responsibility beyond what is currently being done?

Answer. The Health Care Financing Administration informs me that they estimate a total of $7.4 billion in combined Federal and

State funds will spent under the Medicaid program for treatment of AIDS patients from fiscal year 1987 through fiscal year 1992, Also, about $200 million will be spent for similar purposes under the Medicare program. These are in addition to the amounts being spent under such Public Health Service programs as the Maternal and Child Health grants, grants for drug treatment centers, the Indian Health Service medical programs, and a variety of other programs which serve persons with AIDS as a part of their defined target group or within the broad groups eligible for their services. The Federal government is also supporting treatment for persons with AIDS and Aids-Related Complex (ARC) through the medical care program of the Veterans Administration and the Department of Defense.

In recognition of these far-reaching efforts as well as the comprehensive needs of AIDS and ARC patients, I have established an Intra-Governmental Task Force on AIDS Health Services Delivery under the chairmanship of David Sundwall, M.D., Administrator of the Health Resources and Administration of the Public Health Service.

That task force is composed of members from various Public Health Service agencies, the Health Care Financing Administration, the State Department, the Department of Housing and Urban Affairs, the Veterans Administration, and the Department of Defense.

I have charged that group to do a comprehensive review of such aspects of patient-care as: access to care, quality of care, financing of care, the role of the family and the community in providing care and support services, and the best ways to integrate Federal, State, and local roles in providing resources and in exercising authorities in the area of patient care of persons with AIDS and ARC. That group has been working actively on these questions since January and will report to me in late summer.

That report will provide all of us with a better picture than currently exists of what is being done and what needs to be done by all sectors of society and all levels of government to address the patient care and treatment aspects of this public health crisis.

Question. Can you provide , for the record, what you project are the current and future direct medical costs of providing health care for people with AIDS?

Answer. The data on this subject are quite limited at present. We are working more on a day to day basis as our own researchers and statisticians and others in research institutes and State and local governments study this problem.

Public Health Service currently estimates that direct medical requests for persons with AIDS are as follows:

Calendar Year	Costs in billions of dollars
1986	$1.2
1987	1.9
1988	2.9
1989	4.3
1990	5.9
1991	8.0

Although these are considered the "most likely estimates," it is also estimated that costs may be as much as double these levels, amounting, for example, to $16 billion in calendar year 1991.

AIDS - HEALTH EDUCATION/RISK REDUCTION

Question. What is your risk reduction strategy for those persons who are infected with AIDS or at increased risk of contracting AIDS in fiscal year 1988?

Answer. The strategy for preventing spread of the AIDS virus has two main components designed to modify risk-associated behaviors. The first component involves broadly directing pertinent AIDS information to the general public and to selected subsets of the general public based on specific needs identified for each. This component is designed to reach people at a nonpersonal level, as members of various populations, including the general public, with messages that they must then individually process for personal relevance. It is expected that messages aimed at high-risk populations will find many individuals who are receptive to acknowledging their personal risk. CDC has initiated programs of AIDS health education/risk reduction designed in part to carry out this component of the AIDS prevention strategy.

The second component of the AIDS prevention strategy is designed to reach high risk people at a personal level, as individuals. This has become increasingly vital. Clearly, a great many people with risk factors for AIDS misperceive or deny their personal risk, in spite of targeted educational campaigns. The focus of program services at the personal level is to provide high-risk individuals with education tailored to their unique situations and particular needs for assistance. Services also offer specific guidance and arrange referrals to help high-risk persons eliminate the risk of further transmission. This component of the strategy is carried out through the: CDC funded counseling and testing program, voluntary counseling and testing which occurs in other settings; and voluntary referral for counseling and testing of the sex and needle-sharing partners of infected individuals. Thus, the AIDS health education/risk reduction and counseling and testing cooperative agreements are the legs which support the national AIDS Prevention program and it is expected that all grantees will receive continued funding in FY 1988 to maintain and expand their program efforts.

Question. What special AIDS prevention education activities is the Department operating that are targeted to the following groups: The under-18 population, high-risk groups, and health professionals?

Answer. CDC is launching a national program to support school-based efforts to prevent the spread of AIDS. This program will involve State and local school agencies, and a variety of national, youth-serving organizations in the development, dissemination, and evaluation of culturally sensitive programs and materials.

States and large cities which receive CDC cooperative agreements for AIDS health education/risk reduction are required to design education initiatives to prevent spread of the AIDS virus by individuals at increased risk. The first step is to determine, as a baseline, the prevalence of certain high risk behaviors by asking key questions. From surveys to learn the facts, AIDS health education/risk reduction programs can develop measurable education objectives, design carefully targeted program initiatives, and make cost-effective decisions about how to best carry them out for the greatest possible impact. Most of the 55 States and cities awarded health education/risk reduction cooperative agreements mid-year in FY 1986 are on course toward developing such a carefully targeted program. We are also supporting demonstration and innovative risk reduction projects to identify effective education strategies that can be applied through the health education/risk reduction programs.

States and large cities which receive CDC cooperative agreements for AIDS health education/risk reduction are also required to design initiatives to educate medical and dental health professionals about AIDS. Some need specific education about AIDS, because their practice or duties involve possible AIDS virus exposure. Others need information to respond to their patients, most of whom are uninfected and have a minimal risk of AIDS, but who are simply worried about the disease and want information, advice, and answers to their questions. A third group of providers who must be reached with education are those in a position to serve persons with AIDS or with an AIDS virus infection, but who have not involved themselves for some reason. Increasingly, their numbers, and the services they can offer, are needed to provide accessible quality care for persons with AIDS and those infected with the AIDS virus. More mental health professionals are needed to provide psychosocial support to assist patients with AIDS virus infection in adjusting to their condition and in developing coping and negotiating skills to help them make permanent risk-eliminating behavior changes. Again, most of the health education/risk reduction cooperative agreement areas are making acceptable progress to educate health providers.

Additionally, each of the STD prevention-training centers are providing AIDS Prevention Education for health professionals. This education has been incorporated as a portion of all basic and advanced courses. They have also conducted AIDS updates for physicians in their geographic areas.

Other AIDS prevention education activities that are targeted to the health professionals include: teaching slides on AIDS epidemiology, diagnosis, clinical spectrum, and prevention which are used in virtually every medical teaching institution in the country; participation of professionals in annual meetings of virtually all major health professions, as well as State and regional conferences to provide AIDS updates; publications and reprints on AIDS for health professionals and students; training for laboratory workers who will perform tests on the AIDS virus; and assisting AMA in developing physician speakers on AIDS.

Question. What are your plans for counseling and voluntary testing for persons at increased risk of AIDS?

Answer. The strategy for preventing spread of the AIDS virus has two main components designed to modify risk-associated behaviors. The first involves educating the general public, and selected subsets of the general public based on specific needs identified for each. This strategy is to reach people at a nonpersonal level with messages that they must then individually process for personal relevance. The second component is to reach high risk people at a personal level, because it is clear that many of those with risk factors for AIDS misperceive their personal risk or deny that risk, in spite of targeted educational campaigns. At the personal level, education is tailored to the unique situations of high risk people and to meet their particular needs for assistance. Services include specific guidance and arrange referrals to help high-risk persons eliminate the risk of further transmission. This component of the strategy is largely carried out through the CDC funded counseling and testing program. In addition, Public Health Service has recommended, in Morbidity and Mortality Weekly Report issues of December 6, 1985, and of March 14, 1986, the expansion of voluntary counseling and testing to other clinic settings and the implementation of voluntary referral for counseling and testing of the sex and needle-sharing partners of infected individuals. These recommendations were supported by the Association of State and Territorial Health Officials in its document, Guide to Public Health Practice: State Health Agency Programmatic Response to HTLV-III infection, published in June 1986. Systems to carry out expanded counseling, testing, and partner referral are not easily or quickly implemented. They require personnel, which some States do not currently possess, and training for staff that are presently employed or diverted for such services. To meet the latter need, CDC trained 78 trainers from 46 States, the District of Columbia, and Puerto Rico to teach a course to prepare health department professionals to counsel persons, who volunteer for testing, and to perform partner referral. At present, the States are moving forward to expand their counseling and testing services, and about one-third have conducted some level of counseling and partner referral training for staff.

Question. What effective interventions are you developing for intravenous drug users?

Answer. NIDA has developed a number of effective interventions targeted to intravenous drug abusers including:

- comprehensive community outreach demonstration projects in 5 cities with a high prevalence of IV AIDS cases

- a series of independent outreach demonstration projects to be conducted in 15 cities based on intervention models that have proven to be effective in drug research (i.e., indigenous leader outreach model; outreach to emergency rooms and health care settings; outreach to sexual partners; and outreach through methadone clinics and therapeutic communities);

- AIDS training/education programs targeted to treatment staff to teach them how to educate clients regarding AIDS and the behaviors that put them at risk;
- AIDS education programs targeted to drug abuse clients;
- AIDS education programs focused on special populations, i.e., adolescents (runaways, school dropouts), pregnant women, and women of child bearing age;
- AIDS education programs directed to high risk ethnic populations.

Question. What are you doing to reduce the number of children who become infected with the AIDS virus?

To prevent transmission from mothers to their infants and therefore, reduce the number of children who become infected with the AIDS virus, infection must be prevented in women, particularly those in the high risk groups. The mothers of over two-thirds of the infants who are perinatally infected are either IV drug abusers themselves or are the sexual partners of men who are IV drug abusers. CDC has studies underway to determine the frequency, modes, and risk factors for transmission among IV drug abusers and transmission through heterosexual contact and to monitor the infection rates in IV drug abusers and their partners.

States and large cities which receive CDC cooperative agreements for AIDS health education/risk reduction are required to design education initiatives to assist in preventing spread of the AIDS virus among IV drug abusers. In most States, the drug abuse treatment program is managed by a different agency than administers AIDS health education/risk reduction activities. Close collaboration is required to carry out an AIDS risk reduction initiative for IV drug abusers, and particularly to reach high-risk females in this group and the female sex partners of male drug abusers. The State and large city AIDS health education/risk reduction programs are now establishing those relationships with drug abuse treatment facilities and, in many areas, health education/risk reduction program personnel have provided training in AIDS virus antibody test counseling and partner referral for staff from local drug abuse treatment facilities.

CDC has published guidelines for prevention of perinatal transmission, mother to infant transmission, in the December 6, 1985, MMWR. Numerous copies have been distributed to health care personnel. In addition to preventing infection in women, CDC advises women who are already infected to postpone pregnancy. CDC will fund a demonstration project in FY 1987 aimed at prevention of perinatal transmission. This project will concentrate on the methods, utilization, and availability of birth control measures to women who are infected with HIV and who have been advised to postpone pregnancy.

Question. Please describe the projects underway under the sponsorship of the Federal Coordinating Committee for AIDS. How would the activities of the Committee relate to the work of the proposed National Commission on AIDS, if established?

Answer. The Federal Coordinating Committee, which was established by the Public Health Service in November, 1986, is composed of seven Federal departments (USDA, DOD, DOED, HUD DOJ, DOL and State), five independent agencies (A.I.D., USIA, ACTION, OPM, and VA), and three offices within the Executive Office of the President (The Domestic Policy Council, OSTP, and OMB.) In general, the Committee is an information-sharing organization and does not undertake projects, other than to share AIDS information and education with the constituency groups of the respective members of the Committee. The Committee is responsible for identifying government-wide needs, problems and appropriate goals of this critical public health effort on AIDS.

Question. For fiscal year 1987, the Department is proposing general provision language to allow the Secretary to "transfer up to $100 million form discretionary funds otherwise available in fiscal year 1987..." to fund AIDS activities. Question. Dr. Windom, is this the Department's way of requesting a $100 million supplemental for AIDS activities?

Answer. No, Such language would provide added flexibility to permit quick reaction to any new needs or opportunities which might arise during the course of the year concerning AIDS research, education, and prevention activities.

Without this language, the Department would have to resort to the formal supplemental budget process, which requires passage of appropriation legislation and can often be very time-consuming and may result in delays in implementing new initiatives in this extremely crucial area.

Question. Wouldn't requesting a supplemental be a more straight-forward approach?

Answer. Our proposal is an attempt to circumvent the formal supplemental budget process, but we believe it would give us greater flexibility to respond immediately to any breakthroughs in AIDS research or unique opportunities to prevent the spread of AIDS.

Question. For fiscal year 1988, the Department is requesting that the Secretary may transfer "...up to three percentum of any discretionary funds otherwise available in fiscal year 1988..." Based on last year's discretionary funding of $14.9 billion for the Department, that would be approximately $447 million. Dr. Windom, aren't you asking the Congress to yield its authority to set funding priorities to the Secretary?

Answer. No, As you know our FY 1988 proposal requires that the Secretary notify the Congress thirty days in advance of any transfer and that such transfer be limited to three percent of any single discretionary account. Hence, the Congress would always be

informed and could take action to stop transfers if considered undesirable.

Question. Are you requesting an additional plus $400 million for AIDS related activities in fiscal year 1988?

Answer. Not at this time. Our FY 1988 AIDS budget request of $533.5 million includes an increase of $117.9 million or 28% over FY 1987 and represents all known AIDS requirements. As in the past, however, the PHS is committed to monitoring and assessing the adequacy of the AIDS budget.

AIDS COORDINATOR

Question. What are the duties of the AIDS Coordinator?

Answer. The AIDS Coordinator is the principal advisor to the Assistant Secretary for Health on issues of AIDS and serves as the coordinator for all PHS activities aimed at the prevention and control of AIDS. The coordinator provides authoritative scientific information about AIDS to the public and serves as a major liaison to the private sector, academia, international organizations and other groups on AIDS issues.

Question. How is communication managed among the Public Health Agencies?

Answer. Communication about AIDS among the Public Health Service (PHS) agencies is coordinated through the PHS Executive Task Force on AIDS. This group, which was established in May 1984, is chaired by the Assistant Secretary for Health, Dr. Robert E. Windom, and co-chaired by the PHS AIDS Coordinator, Dr. Gary Noble. In carrying out its function, the Task Force: coordinates AIDS activities among PHS agencies; provides a forum for achieving consensus among PHS agencies on AIDS issues; develops operating strategies for PHS AIDS activities; and provides a mechanism for information sharing among members. The Task Force has eight subgroups to provide a strong emphasis on and commitment to those areas in which PHS is committing its major efforts and resources in AIDS. As of February 11, 1987, these include the following: vaccine research and development; therapeutic intervention; information, education, and risk reduction; epidemiology and prevention; neuroscience and behavior; addiction and behavior; blood and blood products; and patient care and health service delivery.

Question. What is your experience with coordinating the efforts of the various agencies of the PHS?

How are major AIDS issues facing the PHS resolved?

Answer. The Executive Task Force on AIDS meets bi-weekly. Its membership includes representatives of all five major PHS agencies. In addition, the subgroups meet monthly and also include representatives of the PHS agencies as well as Health Care Financing Administration (HCFA), Social Security, and the Department of Defense (DOD). These meetings are an excellent forum for raising issues, discussing new or ongoing initiatives, and addressing policy issues which need to be resolved. When there is need for coordination of efforts, assignments are made at the Task Force meetings and are followed up by one or more of the agencies or subgroups. Draft documents are reviewed and consensus on policy issues is reached at the meetings. In addition, the AIDS Coordinator and his staff negotiate among PHS agencies to provide maximum coordination of efforts. I believe these mechanisms provide excellent coordination of PHS AIDS efforts.

Question. How much authority does the AIDS Coordinator have in overseeing the AIDS related activities of the Public Health Service?

Answer. The AIDS Coordinator for the PHS works under the direct supervision of the Assistant Secretary for Health, who is in charge of the PHS. In this position, the AIDS Coordinator functions as the Assistant Secretary's principal staff officer on AIDS issues, and operates with the authority of the office of the Assistant Secretary.

SEXUALLY TRANSMITTED DISEASES - GATEWAY TO AIDS

Question. We have been told that a key element in AIDS research is finding "co-factors" that may cause the disease. What role might concurrent sexually transmitted diseases have as a gateway for the development of AIDS? Are we investigating that possibility?

Answer. There is no evidence to date that tradition sexually transmitted diseases--such as syphilis or gonorrhea--are involved in AIDS, but some think that sexually transmitted viruses might act as co-factors in AIDS. In a large cohort of homosexual men in San Francisco, that has been followed by CDC since the late 1970s, we are currently analyzing over 500 serum specimens from these men for evidence of viral infections occurring before they acquired HIV infection or AIDS. Also, we are performing epidemiologic and laboratory investigations to explore a possible relationship between Kaposi's sarcoma, a frequent illness in AIDS patients, and papilloma viruses. The results of these studies, and those of many other scientists, may assist in clarifying the role, if any, of co-factors.

Question. It would seem that one way to assist in preventing some AIDS infections would be to control other sexually transmitted diseases. Would you agree?

Answer. Not exactly. It is our belief, that reducing the incidence of other sexually transmitted diseases per se has less relevance for preventing spread of the AIDS virus than influencing the behaviors of those individuals with risk factors for STD. Certainly, the reverse appears to be true; data from the gay communities in New York City and San Francisco indicate that STD incidence in the gay population can be significantly reduced when individuals begin making behavior changes that reduce or eliminate their risk of acquiring or spreading the AIDS virus. Unfortunately for many in those places, these changes, which have reduced STD in gay men, came too late for many to avoid an AIDS virus infection. The objective must be to prevent this pattern from being repeated among other populations, e.g., sexually active heterosexuals, who are now the major victims of other STD.

The expanded program of rapid follow-up and treatment of the sex partners of syphilis and gonorrhea patients, by an STD control program, can definitely reduce the incidence of these diseases. However, if the patients who were just cured of STD continue to engage in the same high-risk behaviors that produced these recent infections, their risk of acquiring and spreading the AIDS virus is not reduced in the least. Once introduced into that population of sexually active people who reject measures to prevent infection, spread of the virus is a virtual certainty. Because of the critical need to educate persons with risk factors for both AIDS and STD, many State and local health departments have made their STD control program administratively responsible for AIDS health education/risk reduction activities, or have closely involved them in helping to carry out AIDS-related initiatives.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

BLOOD SCREENING AND VOLUNTARY TESTING

Question. Dr. Windom, how much of the proposed request for AIDS education and prevention will be spent on blood screening and voluntary testing?

Answer. We are requesting $16.8 million for counseling and testing efforts in 1988. We consider testing to be an adjunct to counseling--a position which was affirmed at the February meeting in Atlanta. We do not have separate accounting for the testing costs.

INFORMATION/EDUCATION

Question. How much strickly on information and education?

Answer. In addition to counseling and testing, the Public Health Service is requesting $84.2 million for information/education efforts in 1988.

Question. Specifically, what programs will this include?

Answer. An informed public provides the basis upon which other information/education programs operate. Individuals need further information on the steps that can be taken to protect their health. The Centers for Disease Control will direct special efforts to provide information through a variety of channels--television, radio, press, advertisements, and personal appearances. Information/education efforts to prevent the sexual transmission of AIDS will encompass a number of major activities. The national AIDS Hotline service offers a taped message and referral to an operator for further information which is in operation 24 hours daily. The distribution of PHS developed public service announcements, publications, and other materials prepared in collaboration with various organizations will continue. The AIDS information clearinghouse system designed to facilitate access to information needed by the public at large and by State and local AIDS program personnel engaged in developing, or conducting, AIDS prevention and control programs will be in operation. CDC plans to bring together major public and private sector organizations, that are currently actively involved in the fight against AIDS, or which could make significant contributions to our Nation's effort to stem the epidemic. The goal is to provide a continuing forum for the exchange of information and the coordination and stimulation of voluntary information/education programs.

CDC will continue the comprehensive school health education program, including fiscal support and technical assistance to State and local education agencies, targeted to students as well as school-aged youth who do attend school. CDC will continue to work with national organizations to help schools provide effective AIDS education.

CDC's major effort to prevent sexually transmitted AIDS is the provision of assistance to States in conducting AIDS prevention programs by means of counseling and testing and health education/risk reduction programs. CDC will continue the demonstration projects designed to implement and evaluate intensive community level programs to prevent the transmission of HIV infection.

CDC will continue to provide specialized training to program coordinators, AIDS health educations, AIDS antibody test counselors, and other health providers. Training modules and education materials to train both practicing dental professionals and dental students about infection control procedures with an emphasis on AIDS will be utilized.

The National Institute on Drug Abuse will utilize mass media and special print media to inform the general public and special target audiences about AIDS and drug use. A national toll free telephone service will continue, which directs drug abusers to treatment programs in their community.

National Institute on Drug Abuse will continue to focus educational activities to those health care workers who come in contact with drug abusers who represent a means for providing accurate AIDS information to the patient, sex partners of the patient, friends and family members of the patient, allied health care workers, and the public.

Funding for Pay Raise

Question. Dr. Windom, it appears from your CDC budget documents that you plan to transfer a total of $4,428,000 ($2 million from Tuberculosis Grants and $2,428,000 from Occupational Safety and Health Training) in order to pay for FY87 pay supplementals for the Food and Drug Administration. Is this correct?

Answer. Yes, your numbers are correct. The transfer would be used to cover the cost of the Federal civilian pay raise effective January 1, 1987 as well as the cost of the new Federal Retirement System (FERS).

Question. What other Public Health Service (PHS) accounts will be getting such transfers or pay supplementals? CDC? NIH? ADAMHA? Or is the FDA the only entity that will actually get a pay supplemental?

Answer. The other accounts for which transfers are proposed for pay and FERS costs are: The Health Resources and Services Administration ($1,400,000 from Health Teaching Facilities); the Indian Health Service ($9,352,000 from Indian Health Facilities); the National Institutes of Health ($755,000 from the Institutes to the Office of the Director); and St. Elizabeths Hospital ($4,428,000 from the Alcohol, Drug Abuse, and Mental Health Administration).

Question. How was this decision made to take funds from CDC's programs in order to pay for the FDA supplemental?

Answer. The decision was made within the context of the entire PHS budget priorities and the need for deficit reduction. Both CDC activities proposed for transfer included increases in the FY 1987 appropriation over FY 1986 funding levels. TB grants were increased by $2,215,000, or 46 percent, and Occupational Safety and Health Training was increased by $1,517,000, or 18 percent. Since the President's budget proposed phase-out of both activities by the end of FY 1989 it makes sense to begin this phase-out in FY 1987 in order to continue the higher priority efforts of FDA.

Question. What PHS programs would have to contribute to the FDA's pay supplemental? Are you aware that the FDA's budget comes before the Agriculture Appropriations Subcommittee and thus is not one to which this Subcommittee has the ability for indepth analysis?

Answer. Yes, The President's budget proposed that $5,572,000 be transferred from ADAMHA along with the $4,428,000 proposed for transfer from CDC to cover FDA's pay raise and FERS costs.

Question. How much will CDC have to absorb from its own program funds to pay for its pay raise in addition to contributing $4.4 million to pay for the FDA's?

Answer. The President's budget proposes that CDC absorb through administrative action $4,257,000 and reprogram $1,237,000 from Sexually Transmitted Disease grants and Immunization grants to cover the balance of its needs for pay raise and FERS costs in FY 1987.

CONFERENCE ON AIDS

Question. The recent conference on the control of AIDS, sponsored by the CDC, has received a great deal of press coverage over the last week. Much has been said about whether or not the Federal Government should recommend mandatory testing for AIDS.

Dr. Windom, can you or Dr. Mason, highlight some of the issues that were raised at the conference?

Answer. In the series of workshops, 3 panels considered a series of questions about use of the antibody tests that provided a framework for the discussion. One panel considered the question about broader use of testing without the information being misused for discrimination. The second panel considered the role of antibody testing in preventing sexual and parenteral transmission of HIV. The third panel considered the role of antibody testing in preventing perinatal transmission of HIV and as a diagnostic tool.

Question. What consensus was there about AIDS testing?

Answer. The panel on confidentiality concluded that the public health record on protecting confidentiality has been good, but that real problems exists in protecting information in clinical settings. They stressed the need for both Federal and revised State legislation to upgrade confidentiality protections, and to prohibit discrimination against people with AIDS or any other stage of HIV infection. The panel also stated that increased testing is useful as an adjunct to education and other prevention efforts, but that mandatory or compulsory testing is not useful.

The panel on the role of testing in preventing sexual and parenteral AIDS transmission concluded that mandatory testing would be counterproductive, but that health care providers should be more assertive in encouraging people at risk to have routine HIV antibody testing as part of counseling and education. Sites where testing and counseling should be routine include STD clinics and treatment programs for drug dependent people, as well as their spouses and sexual partners. In addition, sexual partners of people with HIV infection should be informed of their potential exposure, counseled, and tested.

The panel considering the role of testing in the prevention of perinatal transmission concluded that testing should be offered routinely by health care providers to people seeking family planning services and prenatal care. They concluded there was no role at present for routine testing of people admitted to a hospital or getting married.

Question. Will there be any new Federal proposals or recommendations as a result of this conference?

Answer. The information presented and the summaries from the panels will be discussed on March 17, 1987, with officials of the Association of State and Territorial Health Officers. Based on these discussions and others as appropriate, CDC will develop and distribute a report to State and local health agencies, that will be the basis for determining further recommendations.

Question. Have you calculated how much additional money may be needed to implement any such proposals or recommendations?

Answer. We are working on estimates of the cost of expanded use of the AIDS antibody test.

AIDS Information Mailings

Question. Recent Press Reports indicate CDC's interest in undertaking a mass mailing of material to every household in the United States regarding AIDS information and prevention efforts. To how many households would this be sent? What is the status of such a mailing? What is the cost of such a mass mailing and are there sufficient funds within your budget to support this effort in the current fiscal year? Have you considered a version of the material in other languages such as Spanish?

Answer. The Centers for Disease Control has proposed that we conduct a mass mailing of AIDS informational material to every household in the nation. This would be similar to the mass mailings done in both England and Hungary. This proposal, and its budgetary implications, are currently under consideration within the Department. The proposal includes provision for a Spanish version of the mass mailing.

MEDICAID COSTS FOR AIDS

Question. Dr. Windom, yesterday I asked Dr. Roper, the Administrator of the Health Care Financing Administration, what his agency was doing to prepare for the large increase in medicaid costs that we can predict as more cases of AIDS are reported.

According to the Surgeon General's Report on AIDS, "in the year 1991, an estimated 145,000 patients with AIDS will need health and supportive services at a total cost of between $8 and $16 billion dollars."

The National Academy of Sciences report on AIDS states that "most of the public funds for care of AIDS patients come through the Medicaid program."

Dr. Roper indicated that HCFA has set up a task force to look at this issue.

Is the Department doing anymore to prepare for such a large increase in Medicaid costs? Have you considered any alternatives to inpatient care which may not only better meet the needs of AIDS patients but could also prove cost effective?

Answer. Yes, the Intradepartmental Task Force on AIDS Health Care Delivery has been established to examine the delivery issues associated with care to AIDS patients. The Task Force plans to include in its Final Report to the Assistant Secretary for Health what the service delivery gaps are and how best to address those gaps. Alternatives to inpatient hospitalization will be included in the Task Force Report.

Question. What is the status of the AIDS demonstration projects congress has appropriated money for in the last two years?

Answer. On September 30, 1986 grants totaling $15.3 million were awarded to four Standard Metropolitan Statistical Areas. The grants, each for three years, included New York ($8,147,059), San Francisco ($3,197,114), Los Angeles ($2,567,121) and Miami ($1,360,706).

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

BUDGET REFORM

Question. Calls for budget reform are increasingly heard as budget deadlines are too often missed, important budget decisions are delayed, appropriation bills and other direct spending legislation are held up in committee, and omnibus spending bills take the place of timely and orderly consideration of individual bills. One procedural reform that is being considered is the two-year budget cycle where budget and appropriations matters would be considered in the first year, and authorizations and oversight would be undertaken in the second year. Would your Department favor a biennial budget process? What benefits would your Department achieve in a two-year appropriation cycle?

Answer. We definitely favor a biennial budget process. This year we have requested two-year appropriations for the following accounts:

- St. Elizabeths Hospital
- Retirement Pay and Medical Benefits for Commissioned Officers
- Grants to States for Medicaid
- Payments to Health Care Trust Funds
- Supplemental Security Income
- Special Benefits for Disabled Coal Miners
- Payments to Social Security Trust Funds
- Family Support Payments to States

In addition, we have also included in our FY 1988 budget a request for advanced appropriations for the National Institutes of Health to fund outyear commitments generated by the award of FY 1988 competing research project grants. This would reduce the grantee's annual uncertainties over the availability of funding for noncompeting awards because funds would then be available for the total project period of a research project grant at the time it is awarded. This should also permit better fiscal planning and grants management.

Two major benefits to be obtained from a two-year appropriation cycle would be:

- the considerable savings in staff hours expended in budget preparation, hearings, reviews, etc.; and

- the absence of the end-of-year continuing resolution problem in the first year of the two-year cycle.

Question. Approximately what proportion of your annual appropriation request would you consider simply repetitious of the previous year's submission?

Answer. Except for the changing considerations of each Administration, the legislative proposals that evolve, and the changing economic assumptions, the budgets are quite repetitious. It is our estimate that 75 percent of the data contained in each annual budget submission is duplicative from year to year.

Question. What difficulties can you foresee in preparing and submitting a two-year budget to the Congress?

Answer. We did not encounter any major difficulties in developing the budgets for those accounts that were targetted for the two-year appropriation process this year. We would hope that this two-year process would be extended to all our accounts. The process would be rather simple because we currently prepare outyear estimates for all our accounts. The major problem in two-year budgeting in the current environment is the Federal deficit and the Gramm-Rudman deficit target. If larger deficits than forecasted were to occur during the first year of the two-year budget cycle, it would most likely be necessary to revise the budget for the second year through a supplemental appropriation action.

CENTERS FOR DISEASE CONTROL

STATEMENT OF DR. JAMES O. MASON, DIRECTOR

ACCOMPANIED BY DR. DONALD HOPKINS, DEPUTY DIRECTOR

OPENING REMARKS

Senator CHILES. Now we will hear testimony from Dr. James Mason, the Director for the Centers for Disease Control. The Centers for Disease Control perform a very important function for the health of our Nation, to protect our citizens from illness or premature death.

In addition to AIDS-related activities, the Centers for Disease Control is responsible for prevention, control, research, and training activities relating to immunization, sexually transmitted diseases, infectious diseases, chronic and environmental disease prevention, occupational safety and health, and epidemic services.

In considering the fiscal year 1988 budget request, the subcommittee is concerned, doctor, about proposed cuts in the administration of the Immunization Program. I mentioned the 8-percent cut proposed for the Sexually Transmitted Disease Program. I am also interested in an update on the CDC investigation in south Florida relating to designer drugs.

We look forward to discussing these and other issues with you this morning. And if you will introduce your associates and proceed with a summary of your statement.

Dr. MASON. Thank you, Mr. Chairman.

Senator Chiles, we are delighted to be here in defense of CDC's budget request. And I am accompanied by Dr. Donald Hopkins, who is the Deputy Director of the Centers for Disease Control.

During CDC's 40 year history, we have evolved from the Office of Malaria Control in War Areas to a $500 million agency with over 4,000 employees, addressing not just infectious diseases but also preventing chronic diseases, injuries, and environmental and occupational health problems.

We have a multifaceted organization because throughout our history our mission has remained the same, to prevent unnecessary illness, disability, and premature death. Our job is to go where the problems are in terms of prevention and control.

I could speak of CDC's involvement with Legionnaire's disease, toxic shock, designer drugs, AIDS, and even requests from foreign countries like India for us to assist them with the Bhopal chemical plant incident.

So, as the primary organization within the Federal Government for prevention and prevention application we build capacity as we translate technology to our counterparts in State and local governments.

During my brief remarks, I will just highlight four priority areas. We have already talked about AIDS, so I will not say any more about that, and I would highlight sexually transmitted diseases. We have mentioned already the statistics from Miami and Florida, and this continues to be a problem.

We are worried about immunization. We probably have never been doing better in terms of our overall prevention of the childhood preventable diseases by immunization. During 1986, we reached new lows for five of eight diseases, and I think this is a singular record for the country.

In three of the disease areas we are aggressively pursuing immunization areas there, and we hope to bring them down to new lows as well.

Chronic diseases are also a CDC priority, because they are the leading cause of death and disability. Approximately 28 percent of cancer deaths, 45 percent of cardiovascular deaths, and over 50 percent of the complications of diabetes, just as examples, are preventable.

Although effective interventions exist, they are not applied nationwide and do not adequately address blacks and other minorities who have substantially increased risk of certain chronic diseases, hypertension being just one by illustration.

CDC strategy is to work with State and local health agencies to help them implement successful prevention and health promotion programs and to apply our epidemiologic and laboratory skills to discover new approaches to chronic disease prevention.

For example, a soon to be published CDC analysis shows that regular exercise—if I could see the third chart—can cut the risk of coronary heart disease in half. Not exercising is the same relative risk as having high blood pressure or high serum cholesterol or as smoking one pack of cigarettes a day.

And I think this information needs to get out to all segments of our population so that they can at least know that these activities do contribute directly to heart attacks and generally cardiovascular disease.

A word about injury prevention. As recently as 1983, there were 143,000 injury-related deaths in the United States. Societal costs related to injury ranged between $75 and $100 billion a year. Injury is the leading cause of death for persons 1 to 44 years of age, and is the leading cause of disability in children and young adults.

CDC established a program in the early 1970's to conduct epidemiological studies and surveillance activities related to nonoccupational injuries. We are now implementing the recommendations of the National Academy of Sciences report, called "Injury in America."

The first National Fatal Occupational Injury Surveillance Program was developed by our National Institute for Occupational Safety and Health in 1986. If I could see the final chart.

Preliminary analyses show that there were approximately 7,000 traumatic occupational fatalities occurring each year in the United States. As shown on this chart, the types of injuries are radically different for men and women who die on the job. For example, homicides appear to be a much greater proportion of the problem for women.

These preliminary data raise many interesting questions and point out the need for continued surveillance of occupational injuries and fatalities and further analysis of the risk factors associated with them.

In this limited time, I can only begin to discuss the many accomplishments of our talented scientists. It is a pleasure to support the CDC fiscal year 1988 budget request for $552 million for prevention, control, research, and training activities related to prevention.

We would be happy to answer any of the questions.

PREPARED STATEMENT

Senator CHILES. Thank you, Dr. Mason. We will insert your statement in the record and then go on to some questions.

[The statement follows:]

STATEMENT OF JAMES O. MASON

Mr. Chairman and Members of the Committee, it is a pleasure to support the Fiscal Year 1988 budget request for the Centers for Disease Control (CDC).

CDC is the Department's primary agency for prevention and control of disease. Its responsibilities include prevention and control of infectious and chronic diseases, environmental health, occupational safety and health, and health promotion and education. CDC has a special responsibility to identify public health goals and help implement them. We assist State and local health departments to build their capacity to prevent disease. We are catalysts in transferring research results from scientists to the people of the U.S. through practical programs to prevent unnecessary illness or premature death and to enhance the quality of life.

The FY 1988 Budget Request is $552,596,000 for the prevention, control, research, and training activities of CDC. This will provide a 26% increase for AIDS research and education. It will provide a $5,924,000 increase for immunization grants and continue to build the vaccine stockpile. It maintains funding for essential activities in sexually transmitted diseases, infectious diseases, chronic and environmental disease prevention, occupational safety and health, and epidemic services. While responding to the need for deficit control, the President's FY 1988 budget preserves essential public health programs and proposes increases for high priority programs--AIDS and immunization.

Because CDC's mission is to prevent and control the major causes of illness, injury, and premature death, programs must be effective and be able to show measurable results. I would like to highlight some of our recent accomplishments and indicate future directions in several important areas:

ACQUIRED IMMUNODEFICIENCY SYNDROME (AIDS)

The AIDS epidemic continues to grow. In 1985, AIDS became the eleventh leading cause of years of potential life lost (Chart 1). By the end of 1991, The Public Health Service is projecting a cumulative total of 270,000 AIDS cases and 179,000 deaths (Chart 2). About 1 to 1.5 million Americans are infected with the AIDS virus. With safeguards in place to protect the Nation's blood supply, we are placing increased emphasis on preventing the spread of AIDS. Let me share with you a few accomplishments:

- An Information/Education Plan to Prevent and Control AIDS in the United States has been developed. The main objectives of the plan are to: inform the public; develop information for school and college-aged youth; inform and educate persons at increased risk or who are infected; and train health workers. During 1987, special emphasis is being given to informing the public through continuation of the national AIDS Hotline, the establishment of an AIDS Clearinghouse function, the formation of a national AIDS coalition, and the development of a national public information campaign, with special efforts to reach Black and Hispanic populations.

- In 1987, we will continue our program of assistance to 55 State, territory, and local health agencies for health education and risk reduction programs. We are also initiating a school health education program which will involve working with national organizations concerned with school and college-aged youth, stimulating the development of health education materials on AIDS, and assisting State and local education agencies in establishing or enhancing AIDS school health education programs.

- We have launched major efforts with State and local health agencies to provide individuals with counseling about AIDS and serologic testing. During the first quarter of FY 1987, about 59,000 individuals at risk for AIDS received health education and risk reduction counseling. Of these, 48,000 were tested for HIV infection.

The FY 1988 budget requests $112.5 million, including an increase of $23.3 million to expand epidemiologic and applied research on AIDS and to intensify information/education efforts.

CHRONIC DISEASE PREVENTION

Approximately $32 million are requested in 1988 to enable CDC to continue its efforts in chronic and environmental disease surveillance; laboratory and epidemiology support; and health education and risk reduction. Chronic diseases are the leading causes of death and long-term disability. These are often catastrophic health events that devastate families with pain and suffering, loss of wages, and disruption of the family structure. This is particularly tragic since effective measures to prevent many of these conditions now exist, but are not widely implemented. Approximately 28% of cancer deaths, 45% of cardiovascular disease deaths, and over 50% of the debilitating complications of diabetes could be prevented through widespread application of currently available knowledge.

CDC believes an integrated approach to chronic disease prevention is required, because these diseases share many common risk factors and are susceptible to similar preventive measures. Specific behavior choices, such as smoking, abusing alcohol, eating a poor diet, and lack of exercising have been shown to increase risk for several chronic diseases. Failure to take actions such as having a pap smear for cervical cancer, a mammography exam for breast cancer, or blood pressure check for hypertension, increases the risk of consequences from these diseases. The scientific literature shows that regular exercise can cut the risk of coronary heart disease in half. Physical inactivity places more people at elevated risk than smoking 1 pack or more of cigarettes per day, having elevated cholesterol, or high blood pressure (Chart 3). This means that medical and public health efforts should be aggressively directed at promoting physical activity.

Community interventions to reduce cardiovascular disease, screening programs for early detection and treatment for breast and cervical cancer, smoking cessation programs, school health curricula, and diabetes control projects have all demonstrated the potential to reduce the toll of chronic diseases. CDC is working to insure that all State and local health departments are informed of such successful health education and risk reduction strategies.

Smoking in the U.S. is the leading cause of preventable illness and death and causes nearly 1,000 premature deaths per day. The major causes of premature death attributable to tobacco are: cardiovascular disease (45%), cancer (36%), lung disease (14%), infant deaths and burns from cigarette-caused fires.

The Office on Smoking and Health was transferred to CDC in September 1986. As a result, CDC is the primary Federal agency addressing the health aspects of smoking. Our responsibility is to encourage awareness of health consequences of cigarette smoking, to strengthen research efforts related to the hazards of smoking, and to assist States and localities in identifying opportunities for deterring smoking.

In 1986, CDC published the first biennial report to the Congress required by P.L. 98-474, the Comprehensive Smoking Education Act of 1984. Smoking and Health: A National Status Report is a 460-page volume which summarizes new information on smoking prevalence and on new and promising intervention techniques.

A key element of CDC's approach to chronic disease prevention is the development of strategies that are effective for minority populations. An exercise and nutrition project for obese persons in a predominantly black, low income community in Atlanta has shown impressive preliminary results. The participation rate is more than three times that reported by programs for similar populations. Since participation in the program is critical to its success, we are optimistic that measurable changes in weight, blood pressure levels, and cardiovascular fitness will occur, and that some of the key elements of effective chronic disease programs for low income and minority groups can be determined.

IMMUNIZATION

Immunization programs have an important impact on cost containment as well as on quality of life. The benefit-to-cost ratio of rubella immunizations given in combination with measles vaccine is over 14:1, for polio over 10:1, for an annual estimated savings of about $1 billion for polio and $500 million for measles. In 1986, immunization coverage was maintained at levels of over 96% for measles, rubella, mumps, polio, and diphtheria/pertussis/tetanus for children entering school. Reported cases of rubella, tetanus, polio, and diphtheria in 1986 were at record low levels. Eighty-nine percent of the 3,138 counties reported no measles cases in 1986. The 1988 budget requests $93.5 million for the immunization program. This includes $80.9 million for grants to States; $8.6 million to fund CDC in-house program support activities; and $4 million for the vaccine stockpile. The $[illegible] million for State immunization [illegible]

Haemophilus influenza b vaccine purchases, for which Congress first appropriated funds in 1987. The $4 million requested for the stockpile will increase our emergency reserve of childhood vaccine from the 1987 level of an average 16.6 week supply to an average of 18.4 week supply in 1988, or 71% of our 26 week (6 month) goal for the stockpile.

INFECTIOUS DISEASE PREVENTION

Infectious diseases are among the greatest causes of morbidity in the U.S. About 20-30% of all infections and 50% of deaths attributed to infections are preventable. In addition to immunization activities, CDC programs include grants to States for sexually transmitted disease control activities, epidemiologic surveillance, laboratory research, and technical assistance and consultation for application of preventive techniques at the State and local level. Working closely with our partners in communities, we achieved the following in 1986:

- Infectious syphilis morbidity decreased for the fourth consecutive year. Decreases are mostly in males and may be attributed to behavior change among homosexual men because of AIDS. Outbreak control activities resulted in the prevention of more than 5,500 new infections in 1986.

- Gonorrhea morbidity decreased by 1.9 percent during 1986, reversing the increase in 1985. Gonorrhea screening and outbreak efforts prevented approximately 160,300 new infections. National policy guidelines for Chlamydia trachomatis prevention and control programs were implemented; 30 project areas now have comprehensive chlamydia prevention and control programs.

- CDC began surveillance to obtain laboratory-based data on the incidence of listeriosis, an illness which resulted in at least 28 deaths in 1985. This surveillance effort will enable improved definition of the incidence of listeriosis as a basis to elucidate the sources of infection, ecology, and control measures.

OCCUPATIONAL SAFETY AND HEALTH

We are requesting $66 million in 1988 for NIOSH research and training activities. Each year about 1 out of every 10 workers in private industry suffers an occupational injury, about 4 out of every 10 workers are disabled, and about 7 out of every 100,000 workers are killed on the job. NIOSH has identified the 10 leading causes of work-related diseases and injuries, and is developing prevention strategies which will be published and available for the use of all groups and individuals involved in ensuring the safety and health of American workers. Significant accomplishments of NIOSH include:

- In 1986, the first national fatal occupational injury surveillance program was developed. Preliminary analysis indicates there are approximately 7,000 traumatic occupational fatalities occurring each year in the U.S. A report has been [illegible] occupational fatalities by State and [illegible] for 1980-84. [illegible]

- During 1986, NIOSH completed a retrospective study on the effect of occupational exposure to carbon monoxide (CO) on mortality from heart disease among 5,529 bridge and tunnel officers in New York City. The results showed the former tunnel officers to be at significantly increased risk of arteriosclerotic heart disease (ASDH). The elevated risk of ASHD among tunnel officers declined after cessation of exposure, with much of the risk dissipating within as little as 5 years. This study--along with studies that show a relationship of cigarette smoking to cardiovascular mortality--suggests that CO may play an important role in the pathophysiology of cardiovascular mortality associated with cigarette smoking.

PROGRAM PHASE OUTS AND ELIMINATION

The budget proposes a 3-year transition to block grant or non-Federal funding of State tuberculosis (TB) and diabetes control projects and NIOSH educational resource centers. Five to 10 years of Federal categorical funding have enabled these programs to demonstrate effective methods of controlling TB and diabetes complications and of developing occupational safety and health training curricula, and the Administration believes, it is now time for States and other non-Federal sources to progressively assume responsibility for replicating these programs' results. In addition, no funds are requested in 1988 for prevention research centers, because the small categorical program is duplicative of other current HHS prevention research efforts.

STAFFING

Staffing levels in 1987 will be 3,962 FTEs for CDC and 138 FTEs for the Agency for Toxic Substances and Disease Registry (ATSDR), and in 1988 the request includes 3,975 FTEs for CDC and 175 FTEs for ATSDR. The increase of 50 FTEs will allow us to grow in the high priority AIDS and Superfund areas, and still be responsive to the President's objectives to control Federal domestic employment. We have also recently undertaken a major self-examination of our clinical laboratory oversight activities. We concluded that we ought to rely less on direct laboratory proficiency testing, and more on surveillance and monitoring techniques to assess the quality of laboratory performance, with greater private sector involvement in gathering this data. These changes will result in redirecting 80 FTEs to higher priority areas, including AIDS and Superfund activities.

I would be pleased to answer questions from the Committee.

Biography of James O. Mason

POSITION : Director, Centers for Disease Control

BIRTHPLACE AND DATE : Salt Lake City, Utah, June 19, 1930

EDUCATION : B.A. - 1954, University of Utah, Salt Lake City, Utah

M.D. - 1958, University of Utah, Salt Lake City, Utah
M.P.H. - 1963, Harvard School of Public Health, Boston, Massachusetts
Dr.P.H.- 1967, Harvard School of Public Health, Boston, Massachusetts
Internship, 1958-1959, Johns Hopkins Hospital, Baltimore, Md.
Residency, Internal Medicine, 1961-1962, Peter Bent Brigham Hospital, Harvard Medical Service, Boston, Massachusetts

EXPERIENCE :

1983-Present : Director, Centers for Disease Control

1983-Present : Administrator, Agency for Toxic Substances and Disease Registry

1985 : Acting Assistant Secretary for Health, Department of Health and Human Services

1979-1983 : Executive Director, Utah Department of Health

1978-1979 : Associate Professor and Chairman, Division of Community Medicine, Department of Family and Community Medicine, University of Utah College of Medicine

1976-1978 : Deputy Director of Health, Utah Division of Health

1970-1976 : Commissioner, Health Services Corporation, The Church of Jesus Christ of Latter-day Saints

1969-1970 : Deputy Director, Centers for Disease Control (CDC), DHEW, Atlanta, Georgia

1968-1969 : Chief, Infectious Diseases, Latter-day Saints Hospital and Assistant Professor, Department of Medicine and Preventive Medicine, University of Utah, College of Medicine

1964-1968 : Deputy Director, Bureau of Laboratories, Centers for Disease Control (CDC) DHEW, Atlanta, Georgia

1961 : Chief, Surveillance Section, Epidemiology Branch, Center for Disease Control (CDC), DHEW, Atlanta, Georgia,

1960 : Chief, Hepatitis Surveillance Unit, Epidemiology Branch, CDC, Atlanta, Georgia

1959 : Chief, Epidemic Intelligence Service, CDC, Atlanta, Georgia

TEACHING APPOINTMENTS : Clinical Professor, Department of Family and Community Medicine, University of Utah College of Medicine, May 1, 1979 to December, 1983

Clinical Professor, Department of Pathology, University of Utah College of Medicine, May, 1980 to December, 1983

Clinical Professor of Community Health, Emory University School of Medicine, October, 1984 to Present

ASSOCIATION MEMBERSHIP : Chairman, Utah Governor's Advisory Committee for Comprehensiver Health Planning, 1975 to 1977

Chairman, Joint Residency Committee in Preventive Medicine and Public Health University of Utah College of Medicine, 1975 to 1980 Member, Utah Cancer Registry Research Advisory Committee, 1976 to 1983

Chairman of Board, Hospital Cooperative of Utah, July, 1977 to 1979 Chairman, Utah Health Planning and Resource Development Advisory Group Executive Committee 1977 to 1979

Member, Medical Association of Atlanta, 1985 to Present

Member, Institute of Medicine of the National Academy of Sciences, July, 1985 to Present

Member, twenty-two other committees or organizations

HONORS : Alpha Epsilon Delta, University of Utah 1954

Phi Kappa Phi, University of Utah, 1956

Alpha Omega Alpha, University of Utah, 1957

Roche Award, University of Utah, 1957

Wintrobe Award, University of Utah, 1958

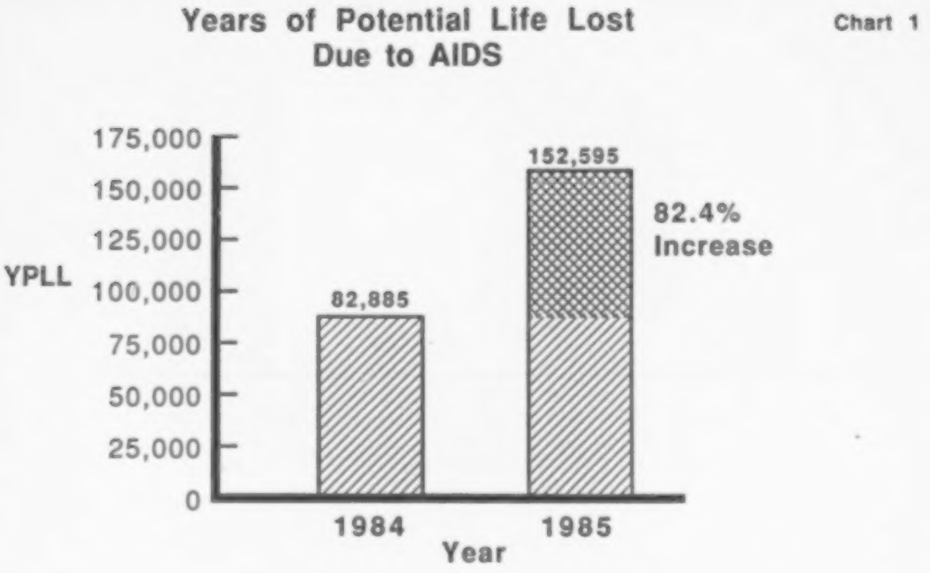
Delta Omega, Harvard University, 1963

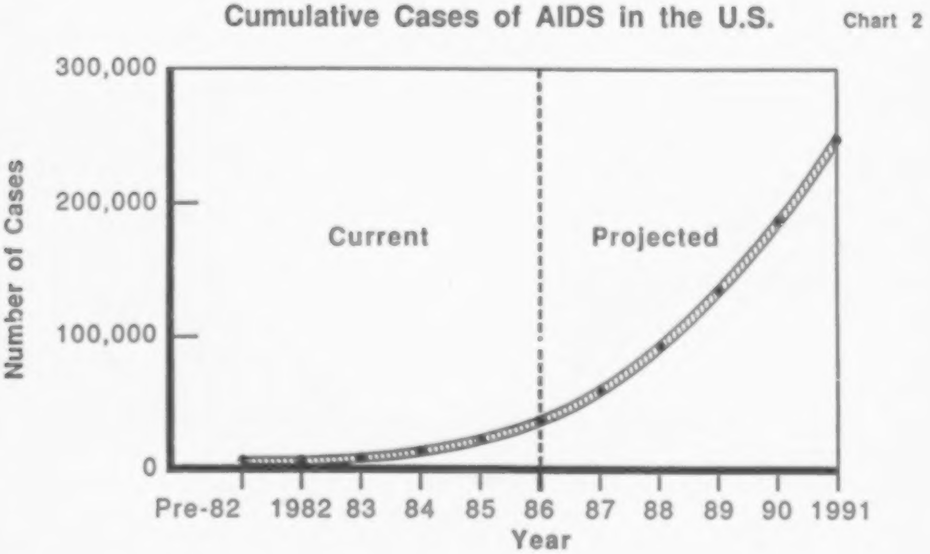
Sigma XI, CDC, Atlanta, 1964

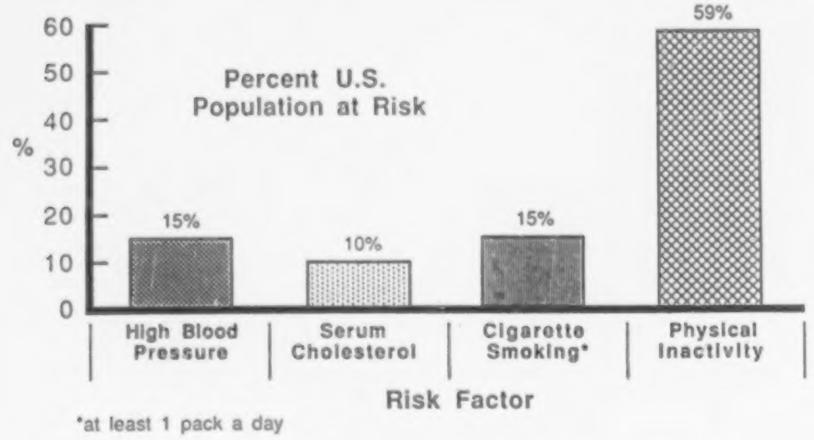
Distinguished Alumni Award, University of Utah, 1973

Beatty Award, Utah Public Health Association 1979

Administrator of the Year Award, Brigham Young University, 1980


Years of Potential Life Lost
Due to AIDS
Chart 1
175,000
150,000
125,000
100,000
75,000
50,000
25,000
0
YPLL
82,885
152,595
82.4%
Increase
1984
1985
Year

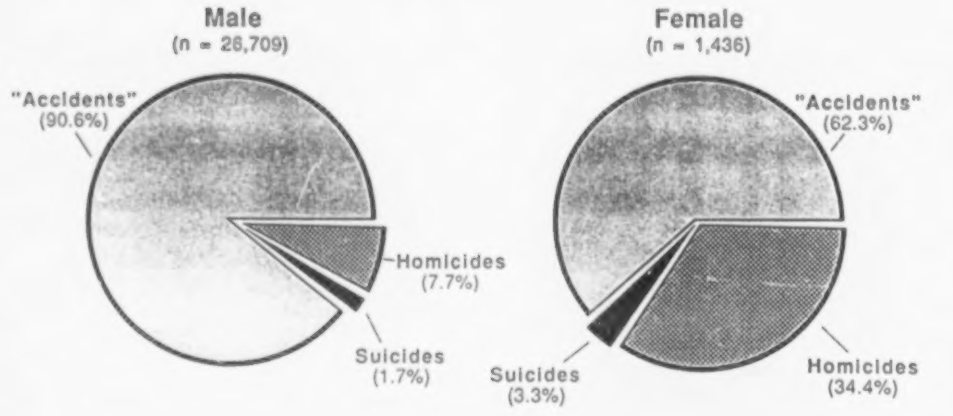

Cumulative Cases of AIDS in the U.S.
Chart 2
300,000
200,000
100,000
0
Number of Cases
Current
Projected
Pre-82
1982
83
84
85
86
87
88
89
90
1991
Year



Recognized Risk Factors
Related to Coronary Heart Disease

Chart 3

*at least 1 pack a day



Occupational Fatalities in the U.S.
1980-1984 by Sex and Type of Fatality

Chart 4

IMMUNIZATION PROGRAM

Senator Chiles. It is a very good summary that you have given us here.

We very much recognize what the Centers for Disease Control does, and I think all of us individually in the Congress too often call on the Center when we see any outbreak of anything that happens in our States or across the country.

One of the most effective prevention programs is our Immunization Program, as you testified to. Since 1963 over 62 million cases of measles and 20,500 cases of mental retardation have been averted, 6,200 children's lives have been saved, as a result of measles immunization.

How close are we to achieving our 1990 objectives for immunization?

IMMUNIZATION TARGET

Dr. MASON. Senator Chiles, with regard to immunization we are on target. We are moving along. As I mentioned, for five of the eight disease entities we are doing better than we have ever done before.

At the present time, measles, mumps, and pertussis are at a little higher level than we had achieved 1 or 2 years ago, and so we are concentrating our efforts, while maintaining the other five, in those three areas. And at the same time, due to the authorization and appropriation we received from Congress, we are initiating now a *Haemophilus influenza b* vaccine, and for the first time this is being provided under the immunization grants. So I think we are very well on target.

VACCINE

Senator CHILES. How many vaccine doses will the money that we are providing, that $80.9 million, purchase in fiscal year 1988 and how will that compare with recent years? Last year we were talking about the escalating vaccine price. I want to know if that trend has continued and how that has affected the operation of this grant program, or are we paying more and getting less in the way of dosages?

Dr. MASON. Prior to the time that Congress provided funds for *Haemophilus influenza b* and DTP, approximately 50 percent of the childhood vaccine used in the Nation was purchased through this funding mechanism. The estimated doses of vaccine to be purchased in 1988 with grant funds include 12.7 million doses of polio, mumps, measles, and rubella; 3.5 million doses of DTP; and 1.9 million doses of *Haemophilus influenza b* vaccine.

Senator CHILES. Now, how would those relate to the purchases 1 year ago or the last several years?

Dr. MASON. Basically, with the exception of *Haemophilus influenza b*, which is purchased for the first time this year so that is an increase—DTP was not purchased until last year. That is a new one. We did not purchase it when it was 11 cents a dose.

So overall, the number of doses is increasing. And what is happening is we are putting more of the grant money into vaccine purchase; therefore, there is less money available for State operations.

Senator CHILES. The States are having to pick up that State operation money?

Dr. MASON. That is right, as the costs of vaccines have gone up.

Senator CHILES. Are they doing it?

Dr. MASON. So far it seems that they are able to accommodate that.

Senator CHILES. I understand the budget does not include $14.6 million for States to administer the current program?

Dr. MASON. Actually, the immunization budget indicates an increase of $5.9 million between 1987 and 1988 budgets. But the difference is that the increase in cost has moved up more rapidly than the appropriation. That is why there has been a diminishing of the proportion going to State operations.

For that reason, we are revising our Immunization Program guidelines, that currently prohibit States from assessing nominal fees, so that in the future where parents might be able to make a contribution the States can receive that to help them underwrite their State operations.

INFANT MORTALITY

Senator CHILES. Last year the Congress included $1.75 million to fund the national infant mortality surveillance project. What is the status of that, and what are your findings regarding the populations at highest risk for low birth weight babies?

Dr. MASON. The funding, as you say, occurred in fiscal year 1987 and we are just now in the process of getting those funds out so that we can really get a return on that investment. We worked with the National Center for Health Statistics, NIH, HRSA, and with State and local governments in fiscal year 1986 on a project called the national infant surveillance project which provided information from each State on which the new infant mortality efforts are built.

We are beginning to put into place a very significant system which will enable us to have a much better idea of major risks, including nutritional status of infants and mothers. Much of this information will relate to targeted high-risk populations that need to be worked with on low birth weight and other problems related to infant mortality.

Senator CHILES. For fiscal year 1988, how are you assisting the States in targeting their intervention efforts and what level of funding are you requesting to support these efforts?

Dr. MASON. In what area?

Senator CHILES. In assisting the States in targeting their intervention efforts.

Dr. MASON. $1.75 million was appropriated in fiscal year 1987 for the total program, a portion of that would be distributed throughout the States. No increase is requested for fiscal year 1988.

Senator CHILES. How close are we to achieving an infant mortality rate of 9 per 1,000 live births, which was our target for 1990?

Dr. MASON. I think you heard from Dr. Windom that indeed there are some problems with that target. We hope overall that the Nation can reach that target, but if we do it will be very close.

Our concerns are with the black and minority population. We had a target of, as I recall, it was 12 or 13 deaths per 1,000, and certainly we are not going to reach that. So it is obvious that targeting is going to have to be done among blacks and minorities if we are going to reach the overall death rate objective.

That discrepancy between the whites and minorities I think is an embarrassment to all of us, and we need to target and work on that diligently.

Senator CHILES. I certainly agree.

DESIGNER AND SYNTHETIC DRUGS

In the fiscal year 1986 $1 million was appropriated to study the prevalence of designer and synthetic drug use. In addition, we asked you to study those young people who have Parkinson-type symptoms from taking these drugs. We also asked you to develop an education and prevention program to warn potential users about the threat to their lives posed by these drugs.

What is the current status of this program and what education and intervention programs are you designing, and when will these programs be implemented?

Dr. MASON. We created a cooperative agreement with the California Public Health Foundation on September 29, 1986. The purpose of that is multifold: first, to conduct an epidemiologic study of persons exposed to MPTP, to characterize the natural history of MPTP-induced Parkinsonism and identify additional risk factors for the development of this disease.

They are also developing drug detection laboratory services to support surveillance. And in cooperation with the National Institute for Drug Abuse and other State and local governments, we have convened a panel of experts to review sources of information on the availability and detection of controlled substance analogs. We are using them to develop specific recommendations for a surveillance program for assessing the availability of controlled substance analogs at the national, State, and local levels.

And then in collaboration with a group called Up Front Inc., which is located in the States of California and Florida, we are developing and field testing an education and prevention program with regard to controlled substance analogs.

So all of those things are now in the mill.

Senator CHILES. I would like to ask you if you would provide me an update on the CDC-directed designer drug field investigation in south Florida that was conducted about a year and a half ago by Dr. Jim Ruttenberg, if you could do that for the record.

Dr. MASON. I would be delighted to do that.

Senator CHILES. I have some other questions for the record.

Senator Weicker.

Senator WEICKER. Thank you.

AIDS LABORATORY PROGRAM

Dr. Mason, it is good to have you here. As you are well aware, I was very concerned last year to hear about allegations made regarding the AIDS laboratory program at CDC. The allegations included suppression of data, sabotage of experiments, and poor management of the program.

In response to the allegations, as you know, I requested that the Institute of Medicine conduct an independent assessment of the CDC AIDS laboratory. I felt it was important that an independent, nonpolitical team of experts investigate these allegations and report on them.

Last December, such a report was made, and the conclusions I will not bother to repeat here. They are a matter of the record.

However, the Institute of Medicine also made three specific recommendations for laboratory organization and management of the AIDS laboratory program. These recommendations are:

One, separate basic and applied programs;

Two, appoint one section head to lead the applied program and one to lead the basic science program;

Three, involve the highest levels of CDC in the AIDS program management.

How have you implemented these recommendations?

Dr. MASON. Senator Weicker, I want to express appreciation to you for your participation in oversight of this problem, and I would like to mention that the Institute of Medicine study saw or found no evidence of suppression of information.

Senator WEICKER. Right, that is correct.

Dr. MASON. They could not rule it out, but they found no obvious tampering or sabotage. But as you have said, they did find problems with morale. That was a problem on which we already were taking action at the time the Institute of Medicine study was being carried out.

But since their study, or actually simultaneous with their study, we have created three separate laboratories. One is AIDS services, one is retroviruses research, and a third is called host factors and relates with the immunological aspects of a disease like AIDS or retrovirus induced immunological problems.

Even prior to the Institute of Medicine study, I had engaged the company of Coopers & Lybrand to look at CDC's overall management of AIDS because of the rapid growth of personnel and funding for that program. As a result of the Coopers & Lybrand study, I created another deputy director at CDC for AIDS and appointed Dr. Walter Dowdle to that responsibility. He has direct line responsibility for all AIDS-related activities at the Centers for Disease Control.

I believe we have carried out all of the recommendations from the Institute of Medicine and we have a stronger program for having done so.

Senator WEICKER. Well, I want to thank you, because at the time the allegations were made, you and I got together with Dr. Thier from the Institute of Medicine, and I think the whole matter was handled in a professional, accurate, and indeed responsible way when it came to your acting upon those recommendations in addition to those matters that you instituted on your own initiative. I think you have handled it well.

Dr. MASON. Thank you.

VACCINE COST RECOVERY

Senator WEICKER. One last question. Your budget documents indicate that for fiscal year 1988 you intend to do away with the program's prohibition against recovering the costs of vaccines from parents of low income children who are vaccinated.

Does this now mean that State health departments will be able to charge parents for vaccines? And if so, what will happen to those children whose families cannot afford them?

Dr. MASON. I think this is a very legitimate concern that you are expressing. This is a complex area, because more and more we see pediatricians and family practitioners referring to the public clinic patients who can afford to pay from their own offices.

In an attempt to preserve free vaccine for those who cannot pay, we felt it was reasonable to change our rules so that State and local health departments in using Federally funded vaccine could assess a fee, either an administration fee for giving the vaccine or a fee related to the cost of that vaccine.

But we agree with you that this will have to be done very, very carefully. We do not want any child turned away because of inability to pay. On the other hand, we do not want to encourage a movement of patients out of the private practice of medicine into the public clinics because they are free, thereby making resources very, very scarce for those who do not have those resources.

This is an attempt to provide a balance there, and we are going to have to provide some oversight to prevent the very thing that you are suggesting could occur.

Senator WEICKER. Well, oversight, and I do not see why you cannot communicate with the medical profession as a whole that what they are doing is going to jeopardize other children if indeed they are engaging in the practice of sending those who can afford the vaccine to public health facilities.

I just would not want to see any child in this country, either by virtue of income or geography or whatever, be denied the vaccination programs that are necessary for young people.

Dr. MASON. We agree and we will watch that carefully.

Senator WEICKER. I have no further questions, Mr. Chairman, or if I have other questions I will submit them for the record.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. Thank you very much, Dr. Mason. We will have some other questions we will submit for the record. Dr. Hopkins, we appreciate your testimony this morning.

Dr. MASON. Thank you very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

IMMUNIZATION GRANTS

Question. One of the most effective prevention programs that we have is the immunization program. Since 1963, over 62 million cases of measles and 20,500 cases of mental retardation have been averted, and 6,200 children's lives have been saved as a result of measles immunization. How close are we to achieving the 1990 objectives for immunization?

Answer. Substantial progress has been made toward reaching the 1990 objectives. Of the 18 objectives which make up this priority area, 28 percent have already been achieved and we are well on our way to achieving an additional 44 percent. It appears unlikely that we will achieve the remaining 28 percent of the objectives, most of which are in the area of adult immunizations. Detailed information about each objective is included in a November 1986 Public Health Service Report, "A Midcourse Review of the 1990 Health Objectives for the Nation."

Question. The budget proposes $80.9 million for the immunization project grant program, an increase of $5.9 million, or 8 percent above last year's appropriation. How many vaccine dosages will this amount purchase in Fiscal Year 1988? How does that compare with recent years?

Answer. The FY 1988 budget proposal of $80.9 million for the immunization grants program will purchase the same number of doses of vaccine which will be purchased in 1987; 6.71 million doses of polio, 2.012 million doses of MMR, 3.451 million doses of DTP, and 1.926 million doses of H influenza b. This is the same number of doses of polio, MMR, and DTP that were purchased in 1985 and 1986. We first purchased H influenza b in 1987.

Question. Last year we were told about escalating vaccine price increases. Is that trend continuing? How has that impacted on the operation of this grant program?

Answer. For the DTP and MMR vaccines, the trend for escalating vaccine prices is continuing. The 1987 price for MMR vaccines has increased 26% over last year's consolidated vaccine purchase contract price, and we have estimated in our budget request that DTP prices for the CDC consolidated contracts will increase at least 145% in 1987. However, for OPV and Hib vaccines, this trend has, at least momentarily, been reversed for 1987. The prices for OPV and Hib vaccines in the recently negotiated contracts were lower by 13 and 28%, respectively, than the previous contract prices.

As a result of these recent vaccine price decreases and depending on the final prices for DTP vaccines, more Federal funds may be available within the 1988 budget request than originally estimated for the support of State immunization program expenses. Regardless, though, of whatever the prices of vaccines are in 1988, they should have little impact on the operation of the grant program if the States choose to take advantage of the revisions to the immunization program guidelines that remove the current prohibition on States assessing nominal fees to parents whose children receive vaccines in the public sector. However, no child should be refused an immunization because of inability to pay, and CDC will be monitoring this situation.

Question. Will additional funding be required to allow States to operate this program as it is currently administered? How much?

Answer. No additional funding would be needed to allow States to continue operating this program at current levels if the States choose to take advantage of the program guideline revisions and assess nominal fees for vaccinations. With presently estimated levels of Federal support for vaccine purchases and State operating expenses, we estimate that a minimal charge of only 50¢ a dose would be sufficient for States to fully maintain current program administration levels. Such charges would help ensure that those who can afford to pay do not diminish the resources available for vaccines for those who cannot afford to pay. This is an area of concern because of reports that due to higher vaccine prices, more patients are shifting from private physicians to public health clinics for immunizations. If the States elect not to assess such nominal fees for public sector vaccines, then the States would need to augment their immunization program operations by over $13 million in 1988 to maintain current program support levels.

Question. Last year, the committee provided $7.9 million in grant support for haemophilus influenza type B (Hib) vaccine. How has that grant money been used?

Answer. Grant funds for the purchases of Hib vaccine are currently being awarded to States. Funds available in 1987 will be used to purchase a minimum of 1,926,000 doses of this vaccine.

PENICILLIN RESISTANT GONORRHEA CONTROL EFFORTS

Question. The incidence of penicillin resistant gonorrhea has doubled in each of the past 2 years. In 1986, about 41% of the reported cases occurred in Florida. Increases in sexually transmitted diseases, especially syphilis, penicillin resistant gonorrhea, and gonorrhea have been linked with cocaine (crack) abuse. Addicts, especially women, will trade sex for crack. What are your strategies to help control penicillin-resistant gonorrhea, particularly in Florida?

Answer. The Division of Sexually Transmitted Diseases at CDC has used the recommendations of an expert committee to draft a comprehensive set of guidelines to assist State and local health departments in controlling antibiotic-resistant gonorrhea. The recommendations include specific action steps that health authorities can undertake in four program areas: surveillance, community intervention activities, laboratory methods, and therapy. Several alternatives are suggested for each recommended course of action, with incremental increases in the intensity of activities as specific prevalence levels of penicillin resistance are reached in a community. In Florida, 31 counties in 1986 fell into the most prevalent, or hyperendemic, category defined as penicillin-resistant gonorrhea accounting for more than 3 percent of all gonorrhea, which requires the most comprehensive and aggressive tactics to achieve control. For example, routine gonorrhea screening should be extended to all male urethritis patients and to asymptomatic persons who fit the local high-risk patient profile; all public STD clinics and private providers should initially, before laboratory evidence of resistance is shown, treat diagnosed cases of gonorrhea with a regimen effective against penicillin-resistant strains; a medical alert should be sent to all physicians in the affected areas; and intensive disease intervention follow-up should be applied to all positive partners.

Question. Are more dollars needed to control this disease?

Answer. In both private physician and public health clinic settings, the cost of treating penicillin-resistant gonorrhea is greater. The drugs needed to treat penicillin-resistant gonorrhea cost between $2.25 to $13.18 per dose, which is 4 to 9 times as much as the common penicillin-based regimens. In both health practice settings, personnel will need to be more aware of the need to identify, locate, and refer for treatment the sex partners of persons diagnosed with penicillin-resistant gonorrhea in order to control this disease.

NATIONAL INFANT MORTALITY INITIATIVE

Question. Last year, the Congress included $1.75 million to fund the National Infant Mortality Surveillance Project. What is the status of this project? What are your findings regarding the populations at highest risk for low birthweight babies?

Answer. The National Infant Mortality Surveillance Project grew out of the concern that States had no mechanism for monitoring the prevalence of many of the major behavioral and remedial risk factors related to pregnancy outcome, and thus had difficulty in determining program effectiveness and the proper targeting of resources aimed at those populations at highest risk.

As part of the developmental work for the surveillance effort, the National Infant Mortality Surveillance Conference was held last year. Directors of maternal and child health programs and State directors of vital health statistics were brought together to compare information gathered in equivalent fashions from each of the States, which linked birth certificates with infant death certificates. Summaries of the proceedings of the conference will be published in Public Health Reports in April 1987.

Key findings were that: substantial variation in infant mortality rates exist between the States, even when important predictors of overall infant mortality such as race and birthweight distribution are taken into account; the elevated risk of neonatal mortality of infants born to teenage mothers is due largely to their excess prevalence of low birthweight; and the excess infant mortality and low birthweight rate among black infants persists, even when infants born to college-educated Blacks only are compared with infants born to college-educated Whites.

In addition, in an investigation of cigarette smoking and adverse pregnancy outcome among women participating in the Women, Infants, and Children (WIC) Program in 15 States, it was concluded that smoking is an important, potentially modifiable risk factor for low birth weight among term infants born to low socioeconomic status women attending WIC clinics.

As an outgrowth of National Infant Mortality Surveillance, the National Center for Health Statistics is now providing to selected States a national linked birth-death linkage system that is based on the NIMS model.

Question. For Fiscal Year 1988, how will you assist States in targeting their intervention efforts? What level of funding are you requesting to support these efforts? Do you think that is sufficient?

Answer. During Fiscal Year 1988, we expect to increase our efforts to provide analytic assistance to States to facilitate their identifying and targeting of populations in whom intervention efforts can be expected to make the greatest difference.

In conjunction with HRSA, we plan to support State Maternal and Child Health epidemiologic assignees in three States, whose role will be to assist the States in analyzing currently available data and in evaluating programmatic efforts aimed at reducing low birthweight and infant mortality.

We will implement Smoking Cessation During Pregnancy Program in three States. The program strategy is to develop and test cessation interventions that can be incorporated into prenatal clinic and WIC services.

An enhanced Pregnancy Nutrition Surveillance System in up to 10 States will be supported as part of the PHS FY 1987 Infant Health Initiative. This system will link data from birth certificates, death certificates, and the Pediatric Nutrition Surveillance System to provide information on nutritional and other major risk factors of women attending public prenatal and WIC clinics.

The Pregnancy Risk Assessment Monitoring System will be implemented in up to 10 States. This is a new system, which will enable each participating State to track the prevalence of certain key risk factors for pregnancy outcome in the overwhelming majority of women, who do not regularly use public clinics for prenatal care.

For Fiscal Year 1988 we are requesting essentially level funding from that available in 1987 of $2.4 million. This level of funding is sufficient to implement these four complimentary programs in a portion of the States.

Question. How close are we to achieving an infant mortality rate of 9.0 per 1,000 live births by 1990?

Answer. In 1986 the Public Health Service conducted a mid-course review of progress towards the 1990 Objectives. The most critical of these objectives are those related to infant mortality rates and low birthweight, the principal prediction of infant mortality.

The first objective is to achieve a rate of 9 deaths per 1,000 live births. Applying the 1983-1985 rate of decline yields a projected rate in 1990 of 9.2 per 1,000. If the 1986 infant mortality data show further slowing in the rate of decline, the likelihood of achieving this objective diminishes further.

The second objective is that no county or racial or ethnic group should have an infant mortality rate in excess of 12 deaths per 1,000 live births. [illegible] review to reach a level of [illegible] per 1,000 in 1990. Thus, it is highly unlikely that we will achieve this objective for Black Americans.

The third objective is that low birthweight babies should constitute no more than 5 percent of all births. In 1978 the proportion was 7.1 percent of all births. In 1984 the proportion was 6.7 percent. Based on this progress, it is unlikely that this objective will be met. Again, projecting trends from the time of the mid-course review, the projected rate will be 6.3 percent of all births in 1990.

The fourth objective is that no racial or ethnic group was to have a low birthweight, that exceeded 9 percent of all live births. This has again been achieved for all racial groups except blacks, which was 12.9 percent in 1978, 12.4 percent in 1984. Based on this data, the projected rate for blacks in 1990 is 12.1 percent and the approximate 2 to 1 low birthweight ratio between blacks and other ethnic groups has remained fairly constant.

In summary, we are unlikely to meet any of the major objectives in infant health, namely, reaching a goal of an overall infant mortality rate of 9 per 1,000; that all racial and ethnic groups would have an infant mortality of less than 12 per 1,000—in this instance, specifically blacks would fail to meet this objective; that the overall low birthweight rate would be less than 5 percent; and that no racial or ethnic group would have a low birthweight rate of more than 9 percent. Again, we will have failed to achieve this percentage for black infants.

Question. With what other agencies does the Centers for Disease Control coordinate its efforts to deal with infant mortality? Who takes the lead in providing the direction to coordinate the infant mortality-related programs in the Public Health Service?

Answer. The Division of Maternal and Child Health, in the Health Resources and Services Administration, has the lead role for infant mortality which includes: administering the Maternal and Child Health Block Grant; supporting a wide range of activities to strengthen the capacity of States to improve health status outcomes for mothers and children, and; awarding special project funds to assist in the development of regionalized perinatal systems (Improved Pregnancy Projects).

Other HRSA activities include the National Health Service Corps, the Community Health Centers, Migrant Health Projects, and the Indian Health Service. The National Health Service Corps works jointly with DMCH to identify and place pediatricians and obstetricians in underserved areas. Community Health Centers and Migrant Health Projects provide prenatal care to medically [illegible] Health Service [illegible] health services to [illegible] problems. Another HRSA [illegible] program, funds demonstration [illegible]

NICHD carries out basic research on causes of preterm delivery and other related research. NCHS collects and tabulates data on birth and death certificates, produces routine reports, including the Monthly Vital Statistics Report, and prepares special analyses on maternal and infant mortality. NCHS also conducts: national surveys, including the National Natality Survey, with funding, in part, from CDC, NICHD, and other Federal agencies; the National Longitudinal Survey; and the National Survey of Family Growth.

The National Institute on Alcohol Abuse and Alcoholism supports fetal alcohol research projects.

The Food and Drug Administration establishes labeling and nutrient requirements for infant formulas. It also maintains files of reports of adverse drug reactions, including complications in pregnancy, and reports of birth defects possibly related to maternal drug intake.

TUBERCULOSIS GRANTS

Question. Although the overall trend for incidence of tuberculosis is decreasing, certain populations are showing an increase. Among those high-risk groups are refugees and patients with AIDS. The budget request includes [illegible]4 million for tuberculosis grants, a decrease of [illegible] million from last year's appropriation. [illegible] to reverse the increasing numbers of cases and deaths in these populations?

Answer. Unfortunately, we do not have national data on tuberculosis [illegible] to AIDS or refugees. We are concerned about the tuberculosis incidence trends, and although final data are not yet available, we expect to see a [illegible] percent increase in tuberculosis cases for 1986. Based on the 1981-84 average annual decline of [illegible] percent, the 22,201 cases reported in 1985 represented [illegible] more cases than expected. Although the reasons for the increase are not fully known, evidence does support the hypothesis that human immunodeficiency virus infection of persons infected with tuberculosis is at least partly responsible. Some of the increase may also be due to refugee populations, and there was an increase of 2.4 percent in 1985 U.S. tuberculosis cases reported among Asians/Pacific Islanders. However, there were also increases for 1985 in Blacks + 0.7 percent and American Indians/Alaskan Natives +5.9 percent; final 1985 tuberculosis morbidity showed a 1.6 percent decrease among whites compared with 1984.

The proposal to reduce funding for the program to $4 million in 1988 is consistent with the Administration's continuing theme of giving States the authority and responsibility for making funding decisions. It is important to note that State and local health departments have traditionally assumed the preponderance of the cost of tuberculosis prevention and control. States can choose to use non-Federal funds as well as federal Preventive Health Block Grant and Refugee Preventive Health Program funds to continue support. CDC will continue to carry out its national leadership activities in tuberculosis surveillance, assessment, training, and consultation. Furthermore, CDC and NIH will continue to support tuberculosis research efforts, the key to tuberculosis elimination.

Question. What evidence do you have that States would use Preventive Health Block Grant funds to replace the tuberculosis grant funds, in light of the level funding request for the block grant?

Answer. State and local health departments officials, particularly those with significant tuberculosis problems, recognize the need to prevent and control tuberculosis. Experience with the Tuberculosis Cooperative Agreements since 1982 has demonstrated the effectiveness of intensified prevention and control activities in many of the Nation's highest incidence areas. Many areas have reported substantial cost savings because noncompliant patients, who previously needed to be hospitalized for treatment of tuberculosis, can now be treated successfully and much more cheaply on an outpatient basis. Based on experiences in using the Tuberculosis Cooperative Agreement funds, the States are now in an excellent position to evaluate the funded activities and to determine where they rank among the other priorities of the States. We believe that many States will want to continue applying the outreach technologies developed through this grant program, where they have been proven to be exceedingly cost effective versus the alternatives of continued community spread or costly long term hospitalization of patients unwilling or unable to complete an unsupervised course of therapy.

Question. What strategies are you developing to better define the relationship between AIDS and tuberculosis? Will this result in better control of tuberculosis?

Answer. Much of the work that has been done thus far regarding tuberculosis and AIDS has centered on defining the character and extent of the problem. Matching of tuberculosis and AIDS registries in 20 states and 4 localities has shown that over 4 percent of AIDS cases have also had tuberculosis. In 4 areas, with more than 1,000 AIDS cases, the percentage of AIDS cases that have also had tuberculosis ranged from 10 percent in Florida to nearly 5 percent in New York City, to 2 percent in Los Angeles and San Francisco. Detailed analyses has helped define the demographic clinical, and AIDS risk factors in patients with tuberculosis and AIDS.

Based on the available data, guidelines for the prevention and control of tuberculosis in HIV-infected persons and AIDS risk groups were developed, in collaboration with health departments and academic institutions, and published in CDC's Morbidity and Mortality Weekly Report and a major medical journal, the Annals of Internal Medicine.

Several key epidemiologic and clinical questions remain to be answered in order to guide the development and implementation of program strategies. CDC's priorities in this regard include: establishing complete national reporting of TB/AIDS cases; determining the infectivity of TB/AIDS cases compared with tuberculosis cases without AIDS; determining the proportion of tuberculosis cases that are seropositive for HIV infection; determining the proportion of persons with both HIV infection and tuberculosis infection who progress to clinical tuberculosis and AIDS; and determining the efficacy of chemotherapy for tuberculosis disease as well as INH preventive therapy among persons with AIDS or HIV infection

The answers to these questions will enable the medical community to identify persons at highest risk of developing tuberculosis and AIDS, and to apply optimal strategies in preventing and controlling tuberculosis among persons with the AIDS virus infection.

DESIGNER DRUGS

Question. In the fiscal year 1986 bill, $1 million was appropriated to study the prevalence of designer or synthetic drug use. In addition, we asked you to study those young people who have Parkinson-type symptoms from taking these drugs. We also asked you to develop an education and prevention program to warn potential users about the threat to their lives from using these drugs. What is the current status of this Program?

Answer. A Cooperative Agreement with the California Public Health Foundation was signed 9/29/86 to: conduct an epidemiologic study of persons exposed to MPTP (1 methyl-4-phenyl-1,2,3,6 tetrahydropyridine); develop and maintain drug detection laboratory services to support surveillance for Controlled Substance Abusers (CSA); develop a surveillance program to identify diseases and conditions that may result from CSA's; develop and field test an education and prevention program for CSA's in the States of California and Florida; determine the extent of fentanyl-analog abuse in California and the risk for overdose; develop a research program to identify compounds similar to MPTP, which may occur naturally in the environment, and study the relationship between idiopathic Parkinson's disease and exposure.

The California Public Health Foundation has negotiated a contract with the Institute for Medical Research in San Jose, California to conduct the scientific requirements of the program.

The CDC Project Officers met with the project staffs of the California Public Health Foundation and the Institute for Medical Research in early December to delineate the project responsibilities of the cooperating agencies; and a study cohort is being selected and the protocol for the epidemiologic study component is in the final stages of development.

Other actions include: the selection of technical experts to serve on the epidemiology and surveillance and etiology of Parkinsonism work groups; the National Institute on Drug Abuse has established working groups in 2 States to begin development of the surveillance program component; and plans for subcontracts have been made with Up Front, Inc., of Miami, Florida to develop and field test a CSA/MPTP education prevention program and to provide laboratory quality control services.

Question. What education and intervention programs are you designing?

Answer. A component of the cooperative agreement with the California Public Health Foundation requires the formation of a Controlled Substance Analog Surveillance Consulting Group made up of experts in toxicology, drug abuse epidemiology and treatment, and law enforcement. This group, in collaboration with the California Public Health Foundation, CDC, NIDA, the Institute for Medical Research, San Jose, California, and Up Front, Inc., Miami, Florida, will develop and recommend plans for a surveillance system, that will monitor the extent of CSA abuse in selected communities and identify communities where public health intervention may be appropriate. They will oversee the development of an education program to train personnel, in drug abuse treatment clinics and hospital emergency services, to recognize signs and symptoms of CSA abuse and field test pilot programs in California and Florida. This group will also explore ways in which treatment personnel can be integrated into a national surveillance network. The technical experts to serve on this consulting group have been selected, and plans for a subcontract with Up Front, Inc., to begin development and field testing of a CSA/MPTP pilot education and prevention program have been set in place.

Question. When will these programs be implemented?

Answer. The development and field testing of the CSA/MPTP education and prevention programs will be carried out during late FY 1987 and early FY 1988. Information about education and prevention programs developed, and the availability of such programs that offer promise for replication will be provided in late FY 88.

Question. Will you provide me an update on the CDC-directed designer drug field investigation in South Florida, conducted about 1 1/2 years ago by Dr. Jim Ruttenberg?

Answer. At the invitation of the Florida Department of Health and Rehabilitative Services, CDC assisted in interviewing narcotics users and staff at drug treatment centers in cities between Pompano Beach and Miami during February and March 1986. Approximately 50 narcotics users, who reported the availability of a street drug similar in appearance to capsules containing MPTP described by the DEA, have been asked about any adverse effects noted following use of such a drug. Most drug users interviewed reported the current availability of a drug that produces both acute and chronic effects similar to those noted by persons in California, who had used a Meperidine analog contaminated with MPTP.

This drug was said to be readily available in most south Florida cities, particularly in Miami. It is usually sold by heroin dealers, who may also sell cocaine. Interviewees have reported that the suspected Meperidine analog is not easily distinguishable from authentic heroin or cocaine, and that dealers often sell both the natural compounds and the suspected Meperidine analog. There is evidence that the drug has been available in south Florida since 1983. It is being used to dilute cocaine and heroin.

One intravenous drug abuser has developed Parkinsonism, confirmed by three neurologists. Several others have neurologic symptoms and signs consistent with, but not diagnostic of, early Parkinsonism. A new clinical sign on physical examination, sterile skin abscesses that lead to skin ulcers and swelling of the arms and legs, has been observed in many, who have reported using preparations of the new drug.

Four of 17 samples of suspected "toxic" heroin and cocaine obtained through an anonymous sample analysis program show detectable meperidine-like and MPTP-like activity; but the chemists, who have detected these compounds, are unable to identify them specifically as meperidine or MPTP, and need expert consultation and laboratory standards for MA-like MPTP. An already established anonymous drug sample donor program is being used to collect samples that may contain the suspect drug. Law enforcement has been unable to obtain drug samples that could confirm the distribution of MPTP.

We recommended that State and local government and private drug abuse treatment and education programs disseminate information describing the appearance and effects of Meperidine analog, and a warning that these drugs may be available in Florida. We have also suggested notifying hospital emergency services, drug treatment clinics, and jails of the signs and symptoms produced by exposure to the neurotoxin, MPTP, in order that persons with this disease may be identified. The State has publicized information bulletins for patients, physicians, hospitals, and clinics in south Florida. The State continues to be assisted by CDC in the epidemiologic follow-up of this drug related problem.

In addition, CDC has also been assisting the State of Florida in a new recent investigation.

In December 1986, the State of Florida Department of Health and Rehabilitative Services, requested assistance in an epidemiologic investigation of cocaine-related fatalities in Dade County, Florida. Between January and November 1986, there were 45 fatal cocaine overdoses, compared with 26 for all of 1985, 25 for 1984, 25 for 1983, and 16 for 1982.

The Dade County Medical Examiner and a local drug education organization, that maintains an anonymous sample-submission drug analysis program, had both noted the presence of a newly recognized alkaloid in some cocaine samples analyzed since 1983. This alkaloid, tentatively identified as benzoyltropeine, is reported to have atropine-like effects. Since 1983, the Dade County Medical Examiner and personnel in local emergency rooms had also noted an increase in cocaine overdose cases presenting with bizarre behavior and subsequent cardiac arrest. Fatal cases with these presentations had low cocaine concentrations in blood, a finding that is not consistent with cocaine-induced death. These data suggest that the combination of benzoyltropeine and cocaine may be more toxic than cocaine alone, and may be responsible for some of the cocaine overdose fatalities. CDC is currently assisting with this investigation.

REPROGRAMMING REQUEST

Question. The Department is proposing a reprogramming of $1,237,000 to partially cover pay raise and Federal retirement costs for the Centers for Disease Control. From which ongoing programs do you propose to reprogram these funds?

Answer. The proposal is to reprogram funds from in-house immunization and STD program support activities. Lower priority purchases of scientific equipment would have been deferred and competitions for some STD program support contracts would have been delayed.

Question. Will deferring the purchase of scientific equipment impact on the long-term capability of the Agency to study sexually transmitted diseases and diseases requiring immunization?

Answer. There would be no long-term impact from these reprogrammings as funds are available in the 1988 budget request to purchase the equipment that would be deferred by the reprogramming.

Question. Are there any lower priority areas from which funding might be reprogrammed?

Answer. The Senate Appropriations Committee has already turned down the proposed reprogramming in a letter to the Department dated March 17, 1987.

DIABETES CONTROL - CUT IN FUNDING

Question. Preventable complications of diabetes include visual disorders, blindness, amputations, and kidney complications. Many of those afflicted are the elderly. The Fiscal Year 1988 budget for chronic and environmental disease prevention proposes a $2 million reduction in the diabetes control programs. Why are you proposing the cut? How much would be required to continue the program as it is currently administered?

Answer. The diabetes projects were demonstrations. State diabetes programs have had Federal support for 7 to 9 years, initially for development and subsequently for control programs. It is now appropriate for these programs to begin to be continued by the States or other third-party payors who have also benefited financially from their success, since these programs have demonstrated that efforts to control and prevent complications of diabetes, blindness, adverse outcomes of pregnancy, amputations, and hypertension, could be cost effective. The FY 1987 budget provides $5 million for approximately 28 State diabetes control programs. To continue the program as it is currently administered would require a minimum of $5 million in FY 1988.

BUILDING AND FACILITIES

Question. Last year, the $11,8 million appropriation for buildings and facilities included $2.8 million to plan 40,000 square feet of laboratory space to replace the temporary buildings now occupied in Chamblee, Georgia. What is the status of those building plans?

Answer. The design contract for the 60,000 square feet office building will be awarded August 1, 1987, with a completion date of January 1, 1988. The construction contract should be awarded in April 1988 with a completion date of September 1989.

We have obtained the service of a consultant for preliminary planning of the 40,000 square feet laboratory at Chamblee. The design contract should be awarded in June of 1987.

Question. This year, $2 million is requested for the buildings and facilities account. What ongoing problems are you facing in your facilities?

Answer. As facilities age they require more maintenance and repairs, such as: electrical modifications; repairs to walls; replacing built-in equipment including cooling and heating equipment; replacement of autoclaves and cooling towers; interior repair and painting; roof replacements; alterations to remove architectural barriers; laboratory improvements; and the modernization of laboratories.

Question. How adequate is this budget in recognizing the long-term needs of the Centers for Disease Control?

Answer. The budget request only includes funds for general repair projects necessary to keep the facilities operational.

VACCINE STOCKPILE

Question. The budget proposes $4 million to maintain an adequate stockpile of vaccines against childhood diseases. This is the same amount as appropriated last year. Dr. Mason, what is the purpose of the stockpile?

Answer. Production problems have threatened the availability of several vaccines in recent years, because of the limited number of commercial vaccine manufacturers - one each for measles, mumps, rubella, and polio, and three manufacturers for DTP. Connaught and Lederle are the only two manufacturers which are producing and distributing DTP nationally. A third company, Wyeth, is also manufacturing DTP which is being distributed by Lederle via contract.

The purpose of the stockpile is to provide an assured supply of vaccine in the event of short term, 6 months or less, problems with vaccine manufacturing, lot testing, or strikes 7hich have generated supply problems recently. In the past, product liability issues, adverse events associated with vaccine administration, and litigation have prompted manufacturers to stop production and distribution, creating supply problems. During short term interruptions, without a stockpile, many children, mostly infants, would be at risk because primary immunizations could not be initiated. When this happens, a backlog of unimmunized children rapidly builds. It is more costly and labor intensive to establish and conduct recall programs to immunize these children, when normal vaccine distribution is resumed.

The vaccine stockpile is not intended to serve as the answer to the longer-term vaccine manufacturing liability problems; it is only intended to serve as a back-up to short-term vaccine supply disruptions. The Administration will soon be submitting legislation to the Congress that will seek to resolve vaccine liability, cost, and compensation issues.

Question. The Department's goal is to have a 6-month supply on hand. Will this level of funding support that goal?

Answer. With the $4 million requested in 1988, the stockpile will have achieved the following progress toward the 6-month goal:

DTP - 55% of target
Td - 80% of target
OPV - 80% of target
DT - 80% of target
MMR - 80% of target
IPV - 100% of target

Question. What additional funding would be required to meet that goal?

Answer. It is estimated that it would cost approximately $21,235,068 to complete the stockpile in 1988.

VACCINE COMPENSATION LAW

Question. What is the status of the implementation of the vaccine compensation program authorized in the Omnibus Health Bill of 1986?

Answer. The Administration plans to submit vaccine compensation legislation which will complement the Omnibus Health Bill of 1986 and seek to resolve vaccine liability and cost issues. HHS is currently working with the Justice Department to develop the Administration's proposal, but the details have not yet been settled.

Question. Do you think any additional funding will be required to implement the compensation program?

Answer. In the November 14th signing statement for the bill, the President explicitly stated that measures to implement the compensation program "should not call for any part of the cost to be borne by the Federal taxpayers".

NIOSH SYMPOSIUM

Question. In October, 1986, the National Institute of Occupational Safety and Health convened the second National Symposium on the Prevention of the Leading Work-Related Diseases and Injuries. What were the findings of the symposium?

Answer. This National Symposium, sponsored by NIOSH and the Association of Schools of Public Health, brought together professionals, of all affiliations and disciplines in occupational safety and health, to work with NIOSH in developing proposed national strategies for the prevention of the following leading work-related diseases and injuries: disorders of Reproduction; neurotoxic disorders; noise-induced loss of hearing; dermatologic conditions; and psychologic disorders. The prevention strategies for each of these conditions are currently being revised to incorporate the work conducted at the symposium. They will be published and should be available to the public and professionals in the field in the summer of 1987.

Question. How will these findings and recommendations be used?

Answer. The proposed prevention strategies present specific actions and research work and identify general research programs needed to combat these leading problems, in occupational safety and health. Where these findings and recommendations can be addressed, either directly or in collaboration with other parties involved in occupational safety and health, NIOSH will be incorporating these strategies into its overall program. Where these findings and recommendations require independent action by other parties in occupational safety and health, government, industry, organized labor, universities, professional associations, and private research organizations, NIOSH will encourage these other parties and will provide assistance as needed.

Question. The Educational Resource Centers (ERC) have been successful in expanding university programs in the occupational health field. Last year, $9.9 million was appropriated for these centers. This year you propose to cut funding by $3.3 million, or by one-third. Why are you proposing a decrease in this successful program?

Answer. It is the Administration's belief that the support for the ERCs should come from those non-Federal sources who benefit directly from the employment of those occupational safety and health professionals, who received academic or continuing education training from the ERCs.

Question. How will the cut affect the current operations of these programs?

Answer. The ERCs currently receive approximately 25 percent of their funding from sources other than the federal training grant. In response to criticism of the previous proposals that complete elimination of Federal assistance in 1 year would be too abrupt a change for the universities to cope with in lining up alternative funding, the Administration proposes this phase-down approach to permit an orderly transition to other, more general, sources of support, such as block grants, or State and private funding.

Question. Where do you propose these institutions seek alternate funding sources?

Answer. It is the Administration's belief that the support for the ERCs should come from those non-Federal sources who benefit directly from the employment of those occupational safety and health professionals, who received academic or continuing education training from the ERCs. The ERCs currently receive approximately 25 percent of their funding from sources other than the federal training grant. Two California ERCs have supplementary State funding. The Washington ERC receives some funding from the Statewide workers compensation funding pool. Some of the State-funded universities with ERCs have increased faculty support. The ERCs have begun discussions with other potential non-Federal funding groups. The American Industrial Hygiene Foundation has developed a trust fund to provide some scholarships and grants to individual students. These funds include donations from corporations and individual donations from AIHA members. Also, the American Occupational Medical Association is exploring the feasibility of private funding sources for occupational-medical residency programs.

Question. What level of funding is required to maintain these programs at their current level of operation?

Answer. Their current level of funding would be necessary to maintain these programs at their current level of operation.

AGENT ORANGE STUDIES

Question. What is the status of the study on the possible health effects of exposure to Agent Orange on Vietnam veterans?

Answer. The epidemiologic study of the health of Vietnam veterans has three main components: the Vietnam Experience Study, the Agent Orange Study, and the Selected Cancers Study.

For the Vietnam Experience Study, data collection has been completed and analyses is ongoing. Findings from the Mortality Assessment part of this study were published in the February 13, 1987, issue of The Journal of the American Medical Association. The analyses of data from the health interviews and medical examinations is currently scheduled to be completed in late 1987.

The Agent Orange Study is on hold, because it has been determined that military records are inadequate to accurately assess exposure to Agent Orange without an independent method to verify exposure. Currently, CDC is conducting a TCDD Validation Study comparing military records-based estimates of exposure with serum levels of 2,3,7,8-TCDD. Results from this study will be provided to the Executive Branch Agent Orange Working Group and to the U.S. Congress Office of Technology Assessment for review in July 1987. Based on these reviews, a decision will be made about the feasibility of a full-scale Agent Orange Study.

Data collection for the Selected Cancers Study is ongoing and will be completed, as scheduled, by the end of 1988. Publication of results is currently scheduled for late 1989.

Question. Are any funds included in the Fiscal Year 1988 budget for these studies?

Answer. The FY 1988 budget request for the Veteran Administration includes $3,950,000 for CDC's Epidemiologic Studies of the Health of Vietnam Veterans. This request could change based on the decision on whether a scientifically valid Agent Orange Exposure Study is possible, and on the scope and design of this study, if conducted.

CUT IN STD GRANTS

Question. The total cost of sexually transmitted diseases is estimated to exceed $3 billion annually. Current annual estimates of incidence have increased to 14 million, including 4 million cases of chlamydia, 1.8 million cases of gonorrhea and 85,000 cases of syphilis. The budget request for project grants to the States is $4 million, or 8 percent, less than last year's appropriated amount. Do you think this funding level is sufficient to continue services at the current level, let alone provide additional resources for prevention of congenital syphilis, a totally preventable disease?

Answer. Difficult trade-off decisions frequently need to be faced as to which of many health priorities should receive attention. While working within limited budgets, we can still have effective STD programs by concentrating efforts on the highest yield activities. In FY 1988 we will continue to fund chlamydia control efforts at approximately the same level as in

1987, since our goal is to develop comprehensive programs in all States. We hope to realize some residual savings in the area of uncomplicated gonorrhea control since many of the same intervention strategies apply to both gonorrhea and chlamydia, and frequently are applied to the same patients.

Question. Will the Fiscal Year 1988 request support continuation of the national hotline?

Answer. Yes, the request includes funds for the continued support of the national hotline.

Question. What clinical training efforts do you support through this program? What are your funding plans for clinical services and training in Fiscal Year 1988?

Answer. CDC supports a national network of ten STD Prevention/Training (P/T) centers, which provide over 100 clinical training courses and symposia annually, to teach the skills of sexually transmitted disease patient management. Between 2,000 and 3,000 health care professionals attend these courses and symposia each year. The training courses are usually limited to 5-8 students and involve a considerable amount of "hands on" practice. Each student works under a clinical preceptor to learn and practice appropriate skills and procedures. Classroom instruction for these courses is provided by faculty of a university school of medicine. In each area, such an institution collaborates with a local department of health STD control program and an STD clinic to form a P/T center. CDC's program of STD clinical training is a cornerstone of efforts to reach the 1990 Objective for the Nation, which calls for preparing health care providers to appropriately diagnose and treat STD. CDC's funding plans for Fiscal Year 1988 include the continued support of this initiative. In addition, two temporary P/T centers will be operated in Florida to meet the special needs that exist in that State.

To improve the initial STD training of medical students, six 318(b) demonstration projects were undertaken in FY 1984 with medical schools to develop STD curricula and train medical students. A seventh was begun in FY 1986. Utilizing the results of these demonstration projects, CDC will provide start up funds for the implementation of STD curricula in at least one medical school in each of the ten PHS regions, beginning in FY 1988.

PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT

Question. The fiscal year 1988 budget request for the Preventive Health and Health Services block Grant is the same as the fiscal year 1987 funding level of $89.5 million. What are the States doing with the block grant dollars? How successful are the States in using their allocation to address their particular needs?

Answer. As directed by the legislation, the States are using the funds to support health programs in the areas of hypertension, fluoridation, health education and risk reduction, emergency medical services, rodent control, and services to rape victims and prevention. They are also spending in the general category of comprehensive public health services. This latter category gives the States added flexibility to fund State determined public health priorities, such as cancer detection, AIDS, or environmental sanitation. From on-site reviews and annual reports, it is evident that States are reviewing their priorities and realigning their resources by increasing, reducing, or discontinuing programs, and instituting new programs.

Question. I understand that there is a need to collect and share data and information about the services provided by this grant. What is the status of the data collection activities?

Answer. Since the initiation of the Preventive Health and Health Services Block Grant in FY 1982, the Association of State and Territorial Health Officials, through their national voluntary record system, has gathered information from the States on the use of the funds. This information is published annually with other program material. CDC is also preparing a summary of annual reports received from the States.

The Association of State and Territorial Health Officials system is being augmented with additional requests for information consistent with "model criteria" developed to guide the new information effort. CDC is coordinating this move towards enhanced knowledge, with the help of four health associations: American Public Health Association, National Association of County Health Officials, U.S. Conference of Local Health Officers, and the Association of State and Territorial Health Officials. New criteria and forms, in consultation with these associations, will be used to collect information on services supported with block grant funds for FY 1986.

Question. How will information be disseminated?

Answer. The Association of State and Territorial Health Officials, in cooperation with the Centers for Disease Control, has been gathering and publishing this information annually in monograph form. It has been made available to State health agencies, to national health organizations, and to interested members of Congress. This method is expected to continue in the future.

Question. When will this project be implemented on a regular basis?

Answer. Data collection on block grant efforts has been ongoing for two years, but will continue to be reviewed and refined as experience is gained, and as input is obtained from the national health organizations. The most recent revision of the data elements will be used by the Association of State and Territorial Health Officials to gather information on services provided in 1986.

Question. What recommendations will you be making for the reauthorization?

Answer. The Administration has recommended that the Preventive Health and Health Services Block Grant be reauthorized for 3 years at the level of $89,000,000 for FY 1988 and such sums as may be necessary for the following two fiscal years. The Administration is also recommending that the restriction on the purchase of communication equipment for emergency medical services be removed in the reauthorization. A recent GAO report, Bill #HR1861, states that the equipment restriction is impeding the updating of old and outmoded equipment which hamper ambulance/hospital communications, and that new equipment would provide clearer transmission to hard-to-reach areas.

INFANT HEALTH INITIATIVE

Question. Surveillance, investigation, and programs are required to reduce the incidence of low birthweight babies, sudden infant death syndrome, premature births, and complications of pregnancy. What efforts are you supporting to help States address these infant health issues? What is the Pregnancy Nutrition Surveillance System that you have proposed for implementation in Fiscal Year 1988? How will this help States address the problems of infant health?

Answer. We are currently working with States in each of these areas. The recently completed National Infant Mortality Surveillance Project grew out of the concern that States had no mechanism for monitoring the prevalence of many of the major behavioral and remedial risk factors related to pregnancy outcome, and thus had difficulty in determining program effectiveness and the proper targeting of resources aimed at those populations at highest risk. As part of the developmental work for the surveillance effort, a National Infant Mortality Surveillance Conference was held last year in which directors of maternal and child health programs and State directors of vital health statistics were brought together to compare information gathered in equivalent fashions from each of the States which link birth certificates with infant death certificates. Summaries of the proceedings of the conference will be published in Public Health Reports in April 1987. As an outgrowth of The National Infant Mortality Surveillance, the NCHS is now piloting in selected States, a National on-going birth-death linkage system that is based on its model.

In conjunction with HRSA, we plan to support State Maternal and Child Health epidemiologic assignees in three States, whose role will be to assist the States in analyzing currently available data and in evaluating programmatic efforts aimed at reducing low birthweight and infant mortality.

In three States, we are implementing The Smoking Cessation During Pregnancy Program. The program strategy is to develop and test cessation interventions that can be incorporated into prenatal clinic and WIC services.

In up to 10 States, we plan to implement The Pregnancy Risk Assessment Monitoring System. This is a new system which will enable each participating State to track the prevalences of certain key risk factors for pregnancy outcome in the overwhelming majority of women who do not regularly use public clinics for prenatal care.

The Pregnancy Nutrition Surveillance System is part of a larger more comprehensive improvement in overall infant health surveillance activities that is being supported with resources available through the FY 87 Infant Health Initiative. This is an enhancement of the existing Pregnancy and Nutrition Surveillance effort, that currently provides basic nutritional information on pregnant women attending public prenatal care clinics and WIC in participating States. During the next year, we will be enhancing this system, both as to the extent of coverage and to the quantity of information provided on other major risk factors such as smoking, alcohol use, etc.

We believe that The Pregnancy Risk Assessment Monitoring System and The Pregnancy Nutrition Surveillance System will permit individual States to effectively track key pregnancy-related risk factors and target existing programmatic resources more efficiently for those women at highest risk and in whom preventive efforts are most likely to pay off.

OFFICE ON SMOKING AND HEALTH

Question. The Surgeon General's 1986 report on the health consequences of tobacco smoke on nonsmokers made several recommendations to reduce this health risk. What initiatives have been taken to implement some of these recommendations?

Answer. When releasing the 1986 Surgeon General's Report on The Health Consequences of Involuntary Smoking, the Assistant Secretary for Health, Robert E. Windom, M.D., announced two new initiatives in response to the report.

The first is to establish a Public Health Service Task Force to provide the Assistant Secretary with recommendations for eliminating the risks of nonsmoker exposure to environmental tobacco smoke, in the Department of Health and Human Services facilities. This task force has been established under the chairmanship of James O. Mason, M.D., Director, Centers for Disease Control, and the formulation of PHS and department-wide regulations are underway.

The second initiative is to establish a program to educate parents and pregnant women of the risks to infants resulting from exposure to environmental smoke. This initiative is now being developed and will become a nation-wide effort by early fall.

Question. What are your plans to educate parents and pregnant women of the risks to infants' and children's health from exposure to environmental tobacco smoke?

Answer. In 1985, the Public Health Service, at Secretary Heckler's request, undertook a national program to alert pregnant women to the risks of smoking during pregnancy. The program was directed to pregnant teens and women and to the Nation's providers of prenatal care with the message "If you're pregnant and still smoking, remember: Now, you're smoking for two. And that's two good reasons to quit."

In response to the 1986 Surgeon General's Report, Secretary Bowen has directed the Public Health Service to continue this earlier effort, and to expand it to warn parents, of infants and small children, of the dangers of exposing them to tobacco smoke. The 1987 initiative will introduce a new theme to accompany the earlier message: "There's a baby in the house, please don't smoke." Like the earlier initiative, this effort will include media materials, consumer posters, and pamphlets, and involve the support and participation of voluntary health agencies, medical specialty groups, and the private sector.

USE OF BLOCK GRANTS

Question. How are States using block grant funds to help meet the goals of the emergency medical services legislation which was consolidated into the preventive health block grant in 1981--that of establishing a nationwide network of emergency medical services system? What is the current status of this nationwide EMS system?

Answer. Each State determines the emphasis placed on each program supported under the Preventive Health and Health Services Block Grant. We have observed, especially during the early years of the block grant, that most of the States have continued to fund the programs that were consolidated into the block grant. Information furnished by the States indicates that States have funded EMS activities at a percentage of total funds available to them. For example, 21.3% - FY 1983; 15.8% - FY 1984; and 15.8% - FY 1985; (preliminary). Through reports and on-site visits, services seem to have remained at consistent levels. These funds are used for assessment of needs for EMS services, for planning, for consolidation of community support, and for oversight of communication and service delivery.

Question. What are some examples of Rape Prevention Programs supported under the block grant? How are they evaluated for effectiveness?

Answer. The Preventive Health and Health Services Block was the impetus for many States to initiate services for rape victims and rape prevention programs.

Female students in grades 6-12 were the focus of the Rape Prevention program in Alabama. Over 610 high school students, both female and male, were provided over 30 hours of intensive preventive education and intervention on sexual assault in one community. The unfortunate suicide of a high school rape victim, in February of that year, required immediate and intensive school-wide intervention by the program's rape crisis intervention service. The program: developed two special public service announcements; published eight newspaper articles on the incidence of rape, on rape prevention, and on a victim's perspective; and provided four radio shows on sexual assault. Also, two special teacher inservices were conducted, which coincided with the initiation of a special day treatment program for emotionally conflicted children. Part of the inservice focused on teachers' awareness of the signs of physical, sexual, and emotional abuse of children. School rape prevention presentations were made to nine high schools.

The Delaware program provides two support groups as treatment services; one for adult female rape victims, and one for adolescent female rape victims. Adult intrafamilial sexual assault victims groups and adolescent and/or pre-adolescent intrafamilial sexual assault victims group are other services provided. Specialized prevention programs for school-aged youth and young adults, who may be at risk of becoming victims of sexual assault, were held, with over 600 persons attending. Training programs for professionals and paraprofessionals, including educators, who serve victimized and/or at-risk populations have provided training to over 500 persons.

Massachusetts has a network of Rape Crisis Centers providing comprehensive services for victims of rape and sexual abuse and for the victim's family and significant others. The Rape Crisis Centers specifically target those women who are reluctant to utilize other services: adolescents, adult survivors of child sexual abuse, and victims of acquaintance rape. The program also provides community education regarding rape and sexual abuse prevention.

BLOCK GRANT TECHNICAL ASSISTANCE

Question. What kinds of technical assistance does CDC provide to States under the Block Grant? Please give examples of how such assistance increases the effectiveness of State prevention programs.

Answer. CDC provides technical assistance for the wide variety of programs funded under the Preventive Health and Health Services Block Grant--fluoridation, hypertension, diabetes, rodent control, immunizations, sexually transmitted diseases, AIDS, TB, environmental programs, and health education/risk reduction programs.

CDC provides State and local health departments with a framework for planning community interventions through a program of technical assistance called PATCH, an acronym for a Planned Approach to Community Health. This program takes knowledge learned through major intervention trials, and translates these findings to the community level. State and local health officials are taught the skills of community organization, data gathering, problem priority setting, intervention, and evaluation. Twenty communities in eleven States have implemented this program.

CDC also works with the Conference of State and Territorial Directors of Public Health Education in an ongoing program of consultation and technical assistance. This organization includes those persons responsible in each State for the administration of health education/risk reduction programs. Each year, CDC participates with these State Directors in a national health education/risk reduction conference, where mutual program interests and concerns are shared.

Also CDC:

Maintains basic expertise on fluoridation and provides technical backup and advice, upon request, to State and local health officials;

Conducts annual basic and advanced water fluoridation training courses to assist the States in training State engineers, water plan operators, and dental professionals in the best methods for establishing surveillance and monitoring optimal fluoridation; and serves as a liaison for water fluoridation with national organizations such as the American Dental Association, American Water Works Association, etc. and through these contacts, assures that State issues and concerns are addressed.

AIDS BLOOD SUPPLY

Question: How safe is the blood supply? What steps are being taken to maintain its safety and prevent contamination?

Answer. Since mid-1985, all blood for transfusion in the United States has been screened for antibody to HIV, the virus that causes AIDS. A small number of people are known to have been infected with HIV through transfusion since screening of blood was started. Through February 1987, however, no cases of AIDS have been reported in which the only risk factor has been transfusion with blood that has been screened. The currently licensed tests to detect antibody are highly sensitive, since they can detect more than 99% of all people infected with the virus. Almost all people infected with HIV have detectable antibody within 6-12 weeks after infection. False negative tests are rare, occurring primarily in a person recently infected with the virus who has not yet developed antibody. To decrease the possibility that a person recently infected with HIV will donate blood or plasma, blood collection centers educate potential donors about risk factors for AIDS and HIV infection, and actively discourage anyone with a risk factor from donating. Based on the best available data, it is estimated that only 1 unit of blood per 100,000 collected will cause transfusion-associated HIV infection.

CHLAMYDIA CONTROL

Question. What activities does CDC support in the prevention and control of chlamydia? What progress can you report in the area?

Answer. CDC supports research, demonstration, and disease intervention projects for the prevention and control of chlamydia. Research projects are ongoing to identify and evaluate more effective diagnostic techniques and therapeutic regimens, and to better define the epidemiology of chlamydia among those at greatest risk, pregnant women and their offspring, women with salpingitis, and adolescents. Demonstrations have been supported since FY 1984 to test various control strategies and to establish the basis for national chlamydia control recommendations. These recommendations, published in the MMWR, Vol. 34, August 23, 1985, were widely disseminated in FY 1986. STD control programs have made significant advances in the development of prevention and control programs for chlamydia. In FY 1987, 31 States have a reporting law or regulation, 51 sites have public laboratory capability, 54 treat chlamydia in STD clinics, 49 provide patient counseling services, and 30 provide all of the services and are considered to be "comprehensive." In FY 1987 grant funds allocated for chlamydia prevention and control programs were increased by over 50 percent. The FY 1988 request allocates approximately the same level.

GENITAL HERPES

Question. What progress can you report in prevention and treatment of genital herpes over the past year?

Answer. Transmission studies and a pilot surveillance study of neonatal herpes both emphasize the increasing importance of asymptomatic infection. Examination of national survey blood specimens reveal a higher proportion of men and women with past history of genital herpes. Together, these facts mean that more emphasis must be placed on condom use to prevent transmission. For prevention of neonatal herpes, an inexpensive, rapid, and accurate screening test must be developed so that all women can be tested at the time of delivery, and exposed infants protected by antiviral therapy. A large multicenter trial to test such a strategy is now underway with NIH funding. Acyclovir continues to be the only effective antiviral available, but the effectiveness of continual suppressive therapy to prevent recurrences needs further evaluation. Furthermore, new antivirals need to be tested as they are developed. Although rare strains of herpes resistant to acyclovir have been noted, their frequency does not seem to increase with use.

Question. What are the prospects for bringing such diseases as chlamydia and herpes under any measure of control in the foreseeable future?

Answer. The prospects differ for the two diseases. For chlamydia, effective, though expensive, screening tests and antibiotics exist, and significant control could be achieved if high risk men and women and their sex partners were screened for asymptomatic infection and treated. However, because of the high cost of chlamydia screening tests, $8.00 compared to $4.00 for gonorrhea screenings in public health settings, many health practioners are reluctant to routinely order this laboratory procedure. Research at the National Institute of Allergy and Infectious Diseases and CDc is ongoing to develop more rapid and less expensive chlamydia screening tests.

For herpes, the key to control may also be detection of asymptomatic infection, but in this case, there is no rapid inexpensive screening test available and antiviral therapy is only suppressive, not curative. Further research is necessary before significant, not curative. Further research is necessary before significant control measures can be used. In the meantime, however, nonspecific methods to deter transmission (e.g., condoms) and a trend toward fewer sexual partners, primarily fueled by the desire to prevent AIDS, may aid in decreasing herpes incidence.

STD INFORMATION AND EDUCATION

Question. What kinds of information and education activities against sexually transmitted diseases will CDC support during the coming year? How do you evaluate the effectiveness of these activities?

Answer. Details about information and education activities against sexually transmitted diseases (STD) which CDC supports and CDC recommendations for evaluating the effectiveness of these activities are set forth in the publication, Guidelines for STD Education. These activities can be found in any component of a State or local STD control program where it is determined that influencing specific behaviors of individuals is essential to the mission of disease control. For planning and implementation, these individuals are divided into several target populations. One of the most important is STD patients who need education to take medication properly, assist in the referral of exposed sexual partners, and adopt preventive measures to avert future infection. Included are health providers who need education to effectively diagnose and treat STD, counsel patients on preventive measures, obtain assistance to limit further spread, and promptly submit morbidity reports to assist in the health department's control efforts. These populations also include distinct high risk groups who can be classified by virtue of a readily identifiable characteristic such as, language, pregnancy status, sexual preference, etc., and the behaviors that put them at particular risk of infection. Finally, these target populations include the general public, particularly school-aged children who are heavily affected by STD. As the CDC guidelines point out, evaluating any STD educational initiative starts with establishing specific, realistic, time phased, and measurable objectives. Requisite to this is the development of baseline information about the target behavior. Once those data are obtained and such objectives are set, the objectives themselves indicate the means of evaluation. For reference, the guideline document includes an appendix with 22 sample of objectives which meet the above criteria, and examples of feasible methods to achieve and evaluate each.

STD FOCUS

Question. What will CDC research in sexually transmitted disease focus on during FY 1988? What areas of research in this area holds the most promise of success?

Answer. There will be three main areas of emphasis. Foremost will be efforts to evaluate and then to limit the spread of penicillin resistant gonorrhea, primarily PPNG strains. Diagnosis, treatment, and disease intervention problems were recently reviewed with the help of an expert panel; the resultant recommendations will be promoted and evaluated in State STD programs. The second area of emphasis will be to evaluate efforts to eliminate congenital syphilis. This disease, which is highly preventable, continues to be reported from areas of the Nation with high rates of infectious syphilis among childbearing females. CDC will seek advice of an expert panel to help in the development and implementation of an evaluation scheme.

The third area, chlamydia, will concern assessment of the most cost effective methods for detecting and treating asymptomatic infections, the key to more effective control. Further research is also needed on modifications of tests for diagnosis, screening, and evaluation of new antibiotics as they appear.

In addition to the three primary areas of emphasis, research will also be done on human papillomavirus and genital cancers, genital herpes, pelvic inflammatory disease and infertility, vaginitis, and the interaction of HIV infection and other STD.

NIOSH RECOMMENDATIONS

Question. The National Institute makes recommendations to the Department of Labor for regulatory action to correct activities following individual investigations. What are some examples of recommendations that have been implemented by the Department of Labor in the past 10 years?

Answer. OSHA has promulgated seven standards based on the 110 criteria documents which NIOSH has transmitted. These standards are: Acrylanitrite; Dibromochloropropane; Cotton Dust; Asbestos; Lead; Coke Ovens; and Asphalt Fumes and Coal Tar Pitch Volatiles. However, it may be misleading to only consider instances where recommendations serve as the basis for OSHA regulatory decisions. NIOSH research findings are only one portion of the information that OSHA considers in deciding to promulgate a standard. OSHA considers research findings from all sources of occupational safety and health research. The DOL then considers the research findings available along with economic factors related to possible regulatory actions and considers public policy issues in determining whether to promulgate regulations and in determining the nature of those regulations. As part of this process, NIOSH has routinely provided research findings to support DOL regulatory action. NIOSH has submitted findings in the form of criteria documents or regulatory responses on all of the health standards OSHA has promulgated on particular occupational hazards.

DIVERSION OF FUNDS TO AIDS

Question. Dr. Mason, this Committee expressed concern last year about the reprogramming and diversion of funds from the Sexually Transmitted Disease program to AIDS activities. How much money was diverted in FY 1986? How much money will be diverted in FY 1987? FY 1988? What percentage of staff time at CDC has been diverted from STD to AIDS?

Answer. In FY 1986 approximately $3,500,000 in grant funds and $900,000 program operations funds were diverted for

AIDS activities. In FY 1987 and 1988 funds will not be diverted from STD control programs to conduct AIDS activities. Approximately 45 FTEs were diverted to AIDS activities in FY 1986; as staffing for AIDS is increased, as requested in the President's Budget, this number is expected to be reduced.

AIDS AND STD PROGRAM

Question. What specific responsibilities in AIDS control are now being carried out by the Sexually Transmitted Disease program? Since no new funds have been provided for these responsibilities in AIDS, what STD program efforts have been cut in order to carry them out?

Answer. The intrusive and advancing nature of the AIDS epidemic has required that State STD control programs assume various responsibilities beyond what has been its traditional scope. AIDS virus infection is sexually transmissible and affects populations and individuals who for years have been constituents of the STD control program. They, in addition to the general population, naturally look to the State and local STD control programs for information, answers, advice, and recommendations. For the same reasons, many States and localities have turned to their STD control program for management of AIDS education and prevention program activities.

Where this has occurred, funding for AIDS Health Education/Risk Reduction and Counseling and Testing Sites has helped defray the costs of this added responsibility. The costs of assuming specific responsibilities in AIDS is adequately balanced with some tangible benefits to STD control. The major benefit has been to strengthen STD efforts to control other sexually transmitted diseases and syndromes. AIDS can be used to convey a powerful message to all individuals at risk for STD and the resulting behaviors adopted to prevent AIDS also help to prevent other STD. Decreases of other STD in gay and bisexual men as the result of behavior change in response to AIDS has permitted some STD programs across the country to assume added responsibilities in AIDS while maintaining activities to control STD in other populations. Finally, some streamlining of program procedures, specifically in the area of pelvic inflammatory disease control, are also designed to free resources for other priority areas of STD intervention. To date, it is the judgment of CDC that assumption of AIDS responsibilities by State STD programs has not warranted recommendations to cut out any priority program efforts.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

NIOSH CLINICAL RESPIRATORY FACILITY

Question. Two divisions of the National Institute for Occupational Safety and Health are located in Morgantown, West Virginia. That facility is of primary importance to the research being done on respiratory diseases of coal miners and, as you know, is the national depository for X-rays of those suffering from black lung disease. The Centers for Disease Control has undertaken a feasibility study for the design and implementation of a clinical respiratory facility. Would you please advise me where you currently are on that study and when that study will be completed?

Answer. The Centers for Disease Control has solicited and is currently evaluating proposals for conducting this feasibility study for the design and implementation of a Clinical Research Center for Occupational Respiratory Diseases. Negotiations for this contract award should begin in April.

NIOSH CERTIFICATION OF RESPIRATORS

Question. The National Institute of Occupational Safety and Health is the leader in its research and certification of respirators. Because of the recognition of that leadership, a cooperative training and research effort with the Air Force and the Appalachian Laboratory on Occupational Safety and Health was being negotiated. What is the current status of that joint effort?

Answer. The National Institute for Occupational Safety and Health has two major cooperative activities underway with the United States Air Force (USAF).

NIOSH and the Office of the Surgeon General, USAF, have agreed to establish a "fellowship" program for Air Force Environmental Health Officers on a pilot basis. Air Force officers will be assigned for a tour of duty at the NIOSH Division of Safety Research in Morgantown, West Virginia during which they will receive training and experience in respirator certification, respirator research, physiological testing, and chemical protective clothing research. We plan to launch a pilot program in the fourth quarter of FY 1987 with the assignment of one USAF officer for a 1-year assignment. Subsequent cooperative program efforts will be designed to address the findings of the pilot program.

NIOSH is providing training to the USAF in the use of a Low Back Evaluation System developed by NIOSH. The Low Back Evaluation System will be used in an Air Force initiative for the prevention of major back injury.

RESEARCH ON OCCUPATIONAL RESPIRATORY DISEASES

Question. The Committee report accompanying the FY 1987 Labor-HHS-Education and Related Agencies Appropriation bill directed that $250,000 be made available to the Appalachian laboratory on Occupational Safety and Health to conduct additional laboratory research on occupational respiratory diseases. Would you please advise me what research has been initiated at Laboratory as a result of that funding?

Answer. During FY 1987, $250,000 was allocated to the Division of Respiratory Disease Studies to initiate two additional respiratory disease laboratory research studies, the Occupational Asthma Role of Airway Epithelium and the Agriculture Chronic Bronchitis Studies.

The goal of the Occupational Asthma Role of Airway Epithelium is to determine if damage to airway epithelium contributes to airway hyperreactivity associated with occupational asthma. During FY 1987, a determination should be completed as to the effect of epithelium removal in vitro on smooth muscle reactivity: dose-response studies.

The Agriculture Chronic Bronchitis Studies addresses agricultural dusts related to the development of chronic bronchitis in farm workers. Silage samples will be studied for their potential to interact with the human complement system and thus initiate inflammation as a prelude to more severe lung problems. The goal of this project is to determine the causes and prevention of occupational lung diseases associated with exposure to selected organic dusts.

ALOSH ACTIVITIES

Question Would you provide me with the number of support and scientific personnel and research projects and the dollar amounts associated with those activities at the Applachian Laboratory on Occupational Safety and Health for fiscal year 1987 and what is projected for fiscal year 1988.

Answer.

	FY 1987	FY 1988 Estimate
Support Personnel	86	86
Scientific Personnel	150	150
No. of Research Projects	115	115
Allocation of Funds	$12,390,100	$12,140,110

Question. Would you also include in that same report, any research or other activities that will be terminated or delayed in fiscal year 1988?

Answer. NIOSH has extended and instituted cost-cutting measures for projects throughout the Institute to reduce their annual cost and to control normal operating cost increases in 1988. For example, in the Division of Respiratory Disease Studies, data collection for the National Occupational Exposure Survey for Mining was extended from 2 to 6 years and the number of mining sites to be surveyed was reduced from 900 to 600. Analysis of this data and publishing the findings may require 1.5 to 2 years instead of 1 year. In the Division of Safety Research, NIOSH has had to delay expansion of the Fatal Accident Circumstances and Evaluation project (FACE). It was begun as a pilot project focusing on electrocutions and accidents in confined spaces and NIOSH intends eventually to expand this project to include evaluations of accidents among agricultural workers.

QUESTIONS SUBMITTED BY SENATOR DALE BUMPERS

IMMUNIZATION BUDGET

Question. Immunization activities are one of our most successful prevention programs. Given the rapidly rising cost of childhood vaccines, is the budget for immunization sufficient to meet the need for vaccine in 1988?

Answer. The $80.9 million requested in 1988 is sufficient to purchase the same number of doses of childhood vaccines as were provided in 1987.

Question. What will be the effect of your proposal on the vaccine stockpile?

Answer. It is estimated that funds appropriated through 1987 will have completed about 80 percent of the stockpile of OPV, MMR, Td, and DT vaccines, about 67 percent of IPV vaccine; and about 38 percent of DTP vaccine. In 1988 we plan to concentrate our efforts to increase the DTP and IPV components of the stockpile to about 55 percent and 100 percent respectively.

Question. In the budget justification, you show a decrease of $14,587,000 in State operations. How will this affect state programs? How are the states to secure funding to replace these funds?

Answer. Since the budget request was submitted, new consolidated vaccine purchase contracts have been signed for the OPV, MMR, and Hib vaccines, and the prices for the OPV and Hib vaccines were lower than the previous year's contracts, and thus, were significantly lower than we previously estimated in developing the request. As a result of these recent vaccine price decreases and depending on the final price for DTP vaccines, more Federal funds may be available within the 1988 budget request than originally estimated for the support of State immunization program expenses. Regardless, though, of whatever the prices of vaccines are in 1988, they should have little impact on the operation of the grant program if the States choose to take advantage of the revisions to the immunization program guidelines that remove the current prohibition on States assessing nominal fees to parents whose children receive vaccines in the public sector. However, no child should be refused an immunization because of inability to pay, and CDC will be monitoring this situation.

CHARGING FOR VACCINES

Question. The FY 88 budget justification states that program guidelines will be revised to allow states to offset operational costs by charging for vaccines. Is it possible that childhood immunization levels will drop as a result of this change?

Answer. It is possible, but we do not think it will happen. Based on our latest estimates of vaccine cost, the decrease in State operations will be about $6.6 million instead of the earlier projection of a $14.6 million decrease. If States charge as little as $0.50 per dose for the vaccine they administer, this decrease can be more than offset.

CDC ROLE IN CHRONIC DISEASES

Question. Chronic diseases continue to be the leading cause of illness and death in this country. What is CDC's role? How are you addressing these problems?

Answer. As the Public Health Service's lead agency for prevention, CDC has an opportunity and responsibility to play a key role in the dissemination and efficient application of prevention technology to reduce the illness, disability, and premature deaths associated with chronic diseases in the United States. CDC's unique combination of strengths to be applied to this task include: established expertise in surveillance, applied epidemiology, and health education; dynamic, productive relationships with State health departments; a rich background in meeting the prevention training needs of State and local public health workers; and extensive experience in the management of effective disease control programs.

CDC has a long history of involvement in selected activities related to chronic diseases and their risk factors. For over 25 years we have been active in cardiovascular disease laboratory standardization, cancer cluster investigation, and tuberculosis control programs.

Currently, we are addressing smoking and other behavioral risk factors related to cardiovascular and other diseases, and are intensifying our efforts in cancer surveillance. We are working with the States in the control of diabetes and its complications and in the prevention of dental disease.

During the past 2 years, we have undertaken several pilot community projects related to: the prevention of cardiovascular disease in South Carolina; cervical cancer in Kentucky, Illinois, and Georgia; and cancer in general in Connecticut.

In addition, we have begun to work with professional and voluntary health organizations, in the private sector, to mobilize a coalition of agencies committed to a common agenda for the prevention and control of chronic diseases.

CHRONIC DISEASE BURDEN

Question. Your budget justification states that the burden of chronic disease is particularly tragic since some effective preventive measures are currently available that if fully applied could avert a substantial proportion of the burden imposed by chronic diseases. Please explain what you mean by this statement and give some examples.

Answer. Community interventions for cardiovascular disease, screening programs for early detection and treatment of breast and cervical cancer, smoking cessation programs, and diabetes control projects have all demonstrated the potential to reduce the enormous impact of chronic diseases.

Recent advances in such fields as epidemiology, health education, and laboratory research are rapidly generating new approaches to prevention. Dietary prevention of cancer, physical fitness and exercise programs, and school health curricula are examples of health promotion and disease prevention approaches that may soon be ready for widespread implementation.

These interventions, however, have not been applied nationwide and do not adequately address Blacks and other minorities. These groups have substantially higher risk of chronic disease, yet, they are underserved with respect to preventive health services. In 1988, CDC will be attempting to address this gap by continuing to collaborate with State health departments in carrying out pilot projects for the prevention of cardiovascular disease (South Carolina), cervical cancer (Kentucky, Illinois, and Georgia), and cancer in general (Connecticut). In addition, CDC will intensify its chronic disease surveillance activities, conduct selected applied research related to chronic disease prevention, and will convene the second national conference on chronic disease prevention and control in September in San Antonio, Texas.

To address this public health challenge further, CDC will provide:

-- Demonstrations of integrated, community-based chronic disease programs that coordinate disease-specific and risk factor-specific efforts and incorporate state-of-the-art preventive health practices into the medical care delivery system.

-- A focus on translating research findings relevant to prevention technology into widespread application.

-- Technical assistance to State and local health departments to develop their capacity in surveillance, epidemiology, health education, and laboratory science relevant to chronic disease prevention and control.

-- Special attention to the needs of Blacks and other minorities that have a substantially increased risk of certain chronic diseases, yet are underserved with respect to preventive health services.

-- Technical assistance and consultation to medical schools and schools of public health in developing educational curricula for applied prevention as it relates to the chronic diseases.

-- Stronger linkages between public and private agencies for a collaborative effort in the prevention and control of chronic diseases.

AIDS INFORMATION/EDUCATION FUNDING

Question. Given the Institute of Medicine recommendations on AIDS education, do you have sufficient funds for health information and education?

Answer. The request includes all the funds we requested for this program, but we have learned with the AIDS epidemic that we must be continually reassessing our programs and our needs in light of the new information about the problem and new opportunities for prevention or control.

Question. Do you have funds in your budget for the public education campaign that I read about in the paper--including funds to mail a brochure to all households?

Answer. The reports in the press were very premature. CDC has made a recommendation to the Public Health Service who are reviewing the merits of the recommendation. However, no final decision has been made.

Question. What is the status of the school health education program? How will it work? Will you provide curricula to the States?

Answer. CDC's initiative to help schools nationwide provide effective education to prevent the spread of AIDS will incorporate five broad strategies. First, cooperative agreements will be awarded to national organizations that have the organizational capacity, experience, and constituencies to help schools in communities across the Nation provide effective education about AIDS.

Second, cooperative agreements will be awarded to assist State and local education departments, that serve jurisdictions with the highest cumulative incidence of AIDS, to provide effective education for school-age populations.

Third, additional support will be provided to three or four State/local departments of education to establish training and demonstration centers. At least 300 local and State education department personnel, from other cities and States, will attend these centers to receive assistance in implementing effective school health education about AIDS in their own jurisdictions.

Fourth, an annotated computerized bibliography of AIDS education materials will be made available to education personnel. Assistance will be provided to assure that relevant private sector organizations can develop, evaluate, and disseminate a variety of accurate and effective AIDS education materials.

Fifth, the results of research that could improve the effectiveness of school health education to prevent the spread of AIDS will be compiled, synthesized, applied, and disseminated. Assistance will be provided to national, State, and local agencies to evaluate and consequently improve their program efforts.

As part of the broad program, special efforts will be made to reach Black youth, Hispanic youth, school drop-outs, and college students.

We are working to award cooperative agreements to national, State, and local organizations in September 1987.

CDC will work closely with national private-sector organizations to assure that materials they have developed and plan to disseminate are scientifically accurate and effective. In this way, we hope to assure that there will be a range of effective resources from which schools and communities can select.

AIDS SEROLOGIC TESTING

Question. After the meeting last week in Atlanta, have you determined what recommendations to make regarding serologic testing?

Answer. CDC convened a conference February 24-25, 1987, to discuss public health, medical, and public policy issues about broader implementation of antibody testing for HIV, the human immunodeficiency virus that causes AIDS. Approximately 700 people from public health, clinical medicine, professional organizations, AIDS support groups, and other affiliations attended.

Presentations during the opening plenary session summarized the current status of HIV antibody testing, including the facts that the tests are highly sensitive and specific; that they are being used successfully to screen blood and plasma; the tests are being used successfully in counseling and testing sites, although this is reaching only a fraction of potentially affected people; and the potential exists for the tests to be used much more widely as the basis for prevention and education, if the issues of confidentiality of information and protection of personal rights can be assured.

In the series of workshops, 3 panels considered a series of questions about use of the antibody tests that provided a framework for the discussion:

The workshop on confidentiality considered the question about broader use of testing without the information being misused for discrimination. The panel concluded that the public health record on protecting confidentiality has been good, but that real problems exist in protecting information in clinical settings. They stressed the need for both Federal and revised State legislation to upgrade confidentiality protections, and to prohibit discrimination against people with AIDS or any other stage of HIV infection. The panel also stated that increased testing is useful as an adjunct to education and other prevention efforts, but that mandatory or compulsory testing is not useful.

The workshop considering the role of antibody testing in preventing sexual and parenteral transmission of HIV also concluded that mandatory testing would be counterproductive, but that health care providers should be more assertive in encouraging people at risk to have routine HIV antibody testing as part of counseling and education. Sites where testing and counseling should be routine include STD clinics and treatment programs for drug dependent people, as well as their spouses and sexual partners. In addition, sexual partners of people with HIV infection should be informed of their potential exposure, counseled, and tested.

The workshop considering the role of antibody testing in preventing perinatal transmission of HIV and as a diagnostic tool concluded that testing should be offered routinely by health care providers to people seeking family planning services and prenatal care. They concluded there was no role at present for routine testing of people admitted to a hospital or getting married.

CDC will use the information presented and the summaries from the workshops to formulate tentative recommendations that will be discussed on March 17, 1987, with officials of the Association of State and Territorial Health Officers. Based on these discussions and others as appropriate, CDC will forward recommendations to the Assistant Secretary for Health by early April.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

CDC FACILITIES

Question. Last year, at this subcommittee's initiative, the Congress approved a $10 million increase to support badly needed facility improvements as well as planning and construction of new "CDC" facilities. What is the status of this new construction?

Answer. The design contract will be awarded in August 1987 with a completion of January 1988 for the 60,000 square feet office building in Chamblee, Georgia. The construction contract is planned for award in April 1988 with a completion date of September 1989. At that time the employees located in the World War temporary office building will be moved into the new building and the deteriorated buildings will be destroyed.

Question. Within the $10 million provided, we included $2.8 million to plan and design a new laboratory facility. How is that planning coming and how much will it cost for the actual construction? Can we expect an administration request for this funding?

Answer. We have obtained the services of a consultant to assist in preliminary planning for the Chamblee laboratory facility. The consultant has not completed his report at time.

Question. What serious construction and renovation needs remain at "CDC's" various sites and facilities which in your view, must be addressed in the near future? What will be the approximate cost?

Answer. The most pressing facilities repair, renovation construction needs, for which $2 million are requested in 1988, include: electrical modification; repair to walls; resetting copings; replacing air conditioning units; interior repair and painting; roof replacements; street repairs; laboratory improvements; alterations to remove architectural barriers; and replacement of old or obsolete laboratories and offices to provide safe and healthy facilities for employees and to protect the environment. Over the next 5 to 10 years, other construction and renovation projects which should be addressed include: animal building renovation at Lawrenceville, Georgia, to maintain

AAALAC accreditation, $3,300,000; replace PCB transformers to meet EPA requirements, $500,000; repair cracks and mortar at Clifton Road, $1,000,000; replace antiquated power plan switchgear at Clifton Road, $800,000; replace Clifton Road boiler controls, $500,000; repair Taft Center, Ridge Avenue (Cincinnati, Ohio) and Morgantown, West Virginia, laboratory buildings, $2,000,000; new office building at Clifton Road, $17,000,000; renovate or replace obsolete Clifton Road laboratories, $20,000,000; high containment laboratory at Chamblee, Georgia, $3,100,000; animal building at Clifton Road to meet AAALAC accreditation requirements, $1,000,000; and renovate high bay area at Taft, Cincinnati, Ohio, $2,300,000.

PERTUSSIS VACCINE

Question. What efforts are being made Government-wide toward development of a safe vaccine against pertussis (whooping cough)?

Answer. The PHS Interagency Group to Monitor Vaccine Development, Production, and Usage sponsored a Workshop on Acellular Pertussis Vaccine in September 1986, to share all available data on the safety and efficacy of acellular pertussis vaccines, and to identify gaps in the information required for licensure of acellular pertussis vaccines in the U.S.

A major clinical efficacy trial began in February 1986 in Sweden to evaluate the safety and efficacy of two Japanese acellular pertussis vaccines. The trial is funded by National Institute of Allergy and Infectious Diseases; National Institute of Health, and U.S. Agency for International Development. The Pertussis Subcommittee of the PHS Interagency Group has been active in developing the protocol and monitoring the studies. Safety data will be available in April 1987, with the efficacy report due in March 1988.

A U.S. manufacturer has arrangements to obtain Japanese acellular pertussis vaccine. The manufacturer will combine it with its own diphtheria and tetanus vaccine and repackage under its own label. The National Institute of Child Health Development is also involved in developing an acellular pertussis vaccine. In addition, several other European and Canadian manufacturers are developing acellular pertussis vaccines with the expectation of marketing their products in the U.S. The National Institute of Allergy and Infectious Diseases will be testing several of these products beginning this Spring.

Question. What is "CDC's" role in that effort?

Answer. CDC funded the planning stage and the protocol of the Swedish safety and efficacy trial. The chairman and three members of the Pertussis Subcommittee of the PHS Interagency Vaccine Group are CDC personnel. They have closely monitored the Swedish Trials and reviewed protocols of other acellular projects. CDC members of the Subcommittee were involved in planning, coordinating, and presenting data at the Workshop on Acellular Pertussis Vaccine.

CDC has funded two projects at laboratories in Virginia and

Sweden to develop improved diagnostic tests for pertussis. A multi-state surveillance project in the U.S. to obtain better descriptive information on the epidemiology of pertussis is in the final stages.

FTE REQUEST

Question. Dr. Mason, This subcommittee has traditionally recommended increased funding for many of the CDC programs. However, I am aware that while you may have the money you may not always have enough staff. What is your FTE request for FY88?

Answer. If you adjust the FTE request by the number of employees converted to assignments under the Intergovernmental Personnel Act, there are 4150 FTEs included in the request for 1988.

Question. How many FTEs do you have in your current budget?

Answer. When you make the adjustment for assignments under the Intergovernmental Personnel Act, we have 4100 FTEs.

Question. How many FTEs are requested for AIDS-related activities?

Answer. The AIDS-related activities includes a request for 231 FTEs in 1988, an increase of 13 over 1987.

Question. How many for all of the other programs?

Answer. After making adjustments for employees converted to assignments under the authority of the Intergovernmental Personnel Act, the request includes 3,919 FTEs.

Question. Is the total amount what you requested from OMB?

Answer. It is not.

Question. Do you feel the amount requested in the budget before us is sufficient?

Answer. The 1988 request for 4,150 FTE includes an increase of 50 FTE that will allow us to grow in our high priority AIDS and Superfund areas and still be responsive to the President's objective to control Federal domestic employment. However, requirements for AIDS activities and new responsibilities included in the 1986 Superfund Reauthorization Act will continue to exert pressure within CDC's staffing allowances.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

TUBERCULOSIS GRANTS

Question. The FY 1987 appropriation for CDC tuberculosis grants is $7.0 million. The Administration proposes to rescind $2.0 million of this funding and requests only $4.0 million in FY 1988 with a three-year phase-out of this program. Although great strides have been made against the disease of tuberculosis, the disease still has not been eradicated and continues to be of serious concern to many States, including New Mexico. Will you provide this Subcommittee with an update on CDC's surveillance activities for tuberculosis?

Answer. CDC is concerned that the 1990 Objective of a tuberculosis case rate of 8 per 100,000 may not be achieved. Through 1984, steady progress toward reaching this objective was being made; however, tuberculosis morbidity leveled off in 1985, and in 1986, we saw the first bona fide increase in indigenous tuberculosis cases since we began collecting national morbidity data in 1953. The 22,575 cases which were provisionally reported to CDC in 1986 represent a 1.7 percent increase over 1985. Twenty-one States provisionally reported more cases in 1986 than in 1985, including New Mexico which reported an increase of nearly 10 percent.

While the reasons for this increase are not fully known, available evidence suggests that HIV infection of persons also infected with the tubercle bacillus is in part responsible. Matching of AIDS and tuberculosis registries in 24 States and 4 localities indicates that 645, or 4.2 percent, of 15,181 AIDS cases have also had tuberculosis. In addition, increasing tuberculosis in the foreign-born, minorities, and the homeless may also be contributing to the increased morbidity.

In 1953, CDC instituted a standardized tuberculosis surveillance reporting system. The year 1985 was the first year in which the entire nation reported tuberculosis morbidity to CDC on a case-by-case basis using the "Report of Verified Case of Tuberculosis" format. Prior to this States and cities annually submitted morbidity data to CDC on a summary form with predetermined tables. While the aggregate form provided basic information on tuberculosis, many important questions on the contemporary epidemiology of tuberculosis could not be answered. With the new system in place, there is now a uniform case definition throughout the nation for reporting cases of tuberculosis. As a result, data from States and cities are more comparable. For the first time, data are available by individual, year of age, and by country of origin. CDC is now in a position to know more about the magnitude and distribution of tuberculosis cases in the United States than ever before.

TUBERCULOSIS CASE RATES

Question. Will you be sure to highlight which geographic areas and population groups seem to be at the highest risk for the occurrence of this disease?

Answer. Tuberculosis risk, or case rate, in a geographic area is calculated as the number of cases reported during a year per 100,000 population. Listed below are the 10 States with the highest tuberculosis case rates for 1985, ranked in decreasing order according to rate:

State	Number of Cases	Case Rate	Rank
Alaska	110	21.1	1
Hawaii	189	17.9	2
South Carolina	566	16.9	3
Arkansas	362	15.3	4
New York	2,481	14.0	5
Georgia	828	13.9	6
Mississippi	356	13.6	7
Alabama	544	13.5	8
California	3,491	13.2	9
Florida	1,425	12.5	10

Case rates have traditionally been higher in large cities compared with case rates in rural areas. In 1985, the tuberculosis case rate in the 59 cities with population of 250,000 or more was 19.5 per 100,000 population, compared with a case rate of 7.1 in other areas. Listed below are the 10 large cities with the highest tuberculosis case rates for 1985:

City	Number of Cases	Case Rate	Rank
Miami, FL	182	47.8	1
Atlanta, GA	212	47.8	2
San Francisco, CA	306	41.6	3
Newark, NJ	108	33.7	4
Tampa, FL	93	33.6	5
Boston, MA	154	27.0	6
Washington, DC	168	26.8	7
Houston, TX	497	26.4	8
New York, NY	1,843	26.1	9
Honolulu, HI	100	25.6	10

Over the past three decades, rates of tuberculosis in the United States have been consistently higher among racial minorities than among whites. Furthermore, while the number and rate of tuberculosis cases have decreased over time among all subpopulations in the United States, the rate of decline has been much slower for nonwhites than for whites. As a result, the "morbidity gap" between whites and nonwhites is worsening as demonstrated by the increasing ratio of case rates, nonwhites to whites, over the years. Whereas, in 1963 the rate in nonwhites was only 3.8 times the rate in whites, in 1985 the rate in nonwhites was 5.2 times that in whites. Furthermore, the proportion of cases occurring among nonwhites increased from 23 percent in 1953 to 48 percent in 1985. In the United States in 1985, more than three-fifths of all reported cases occurred among racial and ethnic minorities.

Compared with 1984, reported cases in 1985 among whites decreased 1.6 percent while increases of +0.7 percent occurred in blacks, Asians/Pacific Islanders had an increase of +2.4 percent and American Indians/Alaskan Natives increased by +5.9 percent. Reported tuberculosis cases among Hispanics increased 14.0 percent, but among non-Hispanic whites they decreased 2.2 percent. Compared with 1984, reported cases increased in two age groups in 1985--children under 5 years of age had a 4.0 percent increase, and adults from 25 to 44 years of age had a 5.5 percent increase. The increase in children is particularly disturbing since it is a clear and frank indicator that tuberculosis transmission is still occurring in our society. The increase in the 25 to 44-year age group may be due to the large proportion of tuberculosis patients infected with the AIDS virus who fall into this age group; and the large number of foreign-born persons who fall into this age group.

Although no trend data is available, in 1985 over 20 percent of all reported cases occurred in foreign-born persons. Half of these were from Asia. The majority of foreign-born cases are recent arrivals, and nearly one-half were potentially preventable if they had been tuberculin tested and given preventive therapy.

Although data on homelessness of tuberculosis patients is not universally collected, reports of very high tuberculosis prevalence rates from screening in selected clinics and shelters, for the homeless, suggests that this group may also be responsible for the failure of tuberculosis to decline in 1985. Detailed analysis of 1986 tuberculosis morbidity will be performed as soon as all States have submitted final data.

TUBERCULOSIS GRANTS PHASE-OUT

Question. What evidence do you have that our efforts to prevent and control tuberculosis warrant a phase-out of these grants?

Answer. State and local health departments officials, particularly those with significant tuberculosis problems, recognize the need to prevent and control tuberculosis. Experience with the Tuberculosis Cooperative Agreements since 1982 has demonstrated the effectiveness of intensified prevention and control activities in many of the Nation's highest incidence areas. Many areas have reported substantial cost savings, because noncompliant patients who previously needed to be hospitalized for treatment of tuberculosis can now be treated successfully and much more cheaply on an outpatient basis. Based on experiences in using the Tuberculosis Cooperative Agreement funds, the States are now in an excellent position to evaluate the funded activities and to determine where they rank among the other priorities of the States. We believe that many States will want to continue applying the outreach technologies developed through this grant program, where they have been proven to be exceedingly cost effective versus the alternatives of continued community spread or costly long term hospitalization of patients unwilling or unable to complete an unsupervised course of therapy.

BUDGET REFORM

Question. Calls for budget reform are increasingly heard as budget deadlines are too often missed, important budget decisions are delayed, appropriation bills and other direct spending legislation are held up in committee, and omnibus spending bills take the place of timely and orderly consideration of individual bills. One procedural reform that is being considered is the two-year budget cycle where budget and appropriations matters would be considered in the first year, and authorizations and oversight would be undertaken in the second year. Would your Department favor a biennial budget process? What benefits would your Department achieve in a two-year appropriation cycle?

Answer. We definitely favor a biennial budget process. This year we have requested two-year appropriations for the following accounts:

- St. Elizabeths Hospital
- Retirement Pay and Medical Benefits for Commissioned Officers
- Grants to States for Medicaid
- Payments to Health Care Trust Funds
- Supplemental Security Income
- Special Benefits for Disabled Coal Miners
- Payments to Social Security Trust Funds
- Family Support Payments to States

In addition, we have also included in our FY 1988 budget a request for advanced appropriations for the National Institutes of Health to fund outyear commitments generated by the award of FY 1988 competing research project grants. This would reduce the grantee's annual uncertainties over the availability of funding for noncompeting awards because funds would then be available for the total project period of a research project grant at the time it is awarded. This should also permit better fiscal planning and grants management.

Two major benefits to be obtained from a two-year appropriation cycle would be:

- the considerable savings in staff hours expended in budget preparation, hearings, reviews, etc.; and

- the absence of the end-of-year continuing resolution problem in the first year of the two-year cycle.

Question. Approximately what proportion of your annual appropriation request would you consider simply repetitious of the previous year's submission?

Answer. Except for the changing considerations of each Administration, the legislative proposals that evolve, and the changing economic assumptions, the budgets are quite repetitious. It is our estimate that 75 percent of the data contained in each annual budget submission is duplicative from year to year.

Question. What difficulties can you foresee in preparing and submitting a two-year budget to the Congress?

Answer. We did not encounter any major difficulties in developing the budgets for those accounts that were targetted for the two-year appropriation process this year. We would hope that this two-year process would be extended to all our accounts. The process would be rather simple because we currently prepare outyear estimates for all our accounts. The major problem in two-year budgeting in the current environment is the Federal deficit and the

Gramm-Rudman deficit target. If larger deficits than forecasted were to occur during the first year of the two-year budget cycle, it would most likely be necessary to revise the budget for the second year through a supplemental appropriation action.

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

STATEMENT OF DR. DONALD YOUNG, DIRECTOR

PREPARED STATEMENT

Senator CHILES. Our next witness is Dr. Donald Young, the Director of the Prospective Payment Assessment Commission. The Prospective Payment Assessment Commission advises and assists the Congress and the Secretary of Health and Human Services in maintaining and updating the Prospective Medicare Payments System.

We will be considering your fiscal year 1988 request for $3,798,000, an increase of $377,000 over the fiscal year 1987 appropriation.

And Dr. Young, if you would proceed with your oral testimony for us, we will put your statement in full in the record. I understand Dr. Altman could not be with you today.

[The statement follows:]

STATEMENT OF DONALD A. YOUNG

Mr. Chairman, I am Donald A. Young, M.D., Executive Director of the Prospective Payment Assessment Commission. I am pleased to represent the ProPAC Commissioners and present ProPAC's budget and appropriation request for fiscal year 1988.

As you know, the Commission was mandated in 1983, as part of the law which established the Medicare prospective payment system. We are charged with maintaining and updating this hospital payment system through reports and recommendations to the Congress and the Department of Health and Human Services. Commissioners, who are experts in health services delivery, financing, and research, are appointed by the Director of the Congressional Office of Technology Assessment. Our work is supported by an Executive Director and a staff of up to 25 people.

Recent Commission Accomplishments

In the three years since ProPAC began its work, we have examined many important policy issues. ProPAC has brought to the attention of the Secretary and the Congress problems which we believe would compromise the effective delivery of high quality hospital care to Medicare beneficiaries.

In some cases the Secretary has accepted our recommendations for improvements to PPS. In a number of other important areas the Congress has legislated necessary changes. We believe that continuing adjustments are necessary to assure that PPS is responsive to constantly changing medical practice. Our next report, due to the Secretary April 1, 1987, will contain a number of recommendations for improving PPS.

In carrying out our responsibilities we have sought the advice and assistance of a wide range of public and private sector experts and organizations to help us define our agendas and refine our priorities. We have testified before the Congressional committees with jurisdiction over the Medicare program and budget and provided technical assistance to Congressional staff. The Commission continues to meet in open, public session. We have convened numerous panels and technical meetings to examine complex problems related to payment for hospital services. The meetings are frequently attended by academic and private sector experts as well as staff from the Health Care Financing Administration and other government and congressional agencies.

The work of the Commission continues to be guided by our major priorities: to maintain beneficiary access to high-quality health care; to encourage hospital productivity and long-term cost-effectiveness;

to facilitate innovation and appropriate technological growth; to maintain stability for providers, consumers, and other payers; and to base decisions on reliable, timely data and information.

ProPAC Reports and Recommendations

Our major products are the three reports we prepare each year. I should note for the record that ProPAC has delivered all of its reports to the Secretary and to the Congress by the date they were due. We are very proud of this accomplishment.

Our major report has been due April 1 each year. Beginning in 1988, Congress has requested that this report be delivered by March 1. In this report we annually recommend an "update factor" or change in Medicare payments for PPS hospitals and for hospitals and units exempt from PPS. The update factor for PPS hospitals is derived from combining several factors, including (1) increases for inflation in the hospital market basket, scientific and technological advances in the hospital industry, and real case-mix changes; and (2) decreases for changes in hospital productivity, shifts in site of service, and reported changes in the case-mix index. These recommendations represent the Commission's best judgement as to the net change in payments needed to provide high quality care to Medicare beneficiaries.

In terms of maintaining the PPS system and equitably distributing payments, the Commission has suggested a series of changes in diagnosis-related groups (DRGs). Our recommendations reflect judgments of the Commission that DRGs should better reflect the care furnished beneficiaries by incorporating the use of new technologies and other practice pattern changes. In addition, the Commission has recommended and the Congress has legislated an annual recalibration of all the DRG weights.

The Commission also recommended and the Congress enacted an adjustment to payment rates for hospitals that serve a disproportionate number of poor patients and a one year pause in the transition to Federal payment rates. ProPAC addressed the problem of adding capital payments to the prospective payment system, and we will be recommending in our April report the phase-in of these payments beginning in fiscal year 1988. In this year's report we are also recommending significant improvements in the calculation of PPS payments to better account for wage variations in urban and rural areas.

The Commission has addressed several recommendations in areas of particular interest to beneficiaries. Included among these recommendations are suggestions about the information beneficiaries have available to them about PPS, the quality of care they receive under PPS, and the inappropriate increase in the beneficiary deductible caused by significant declines in the length of stay since PPS was implemented. Following our recommendation, the Congress enacted a change in the formula for calculating the deductible.

Our second report is to the Congress. This report analyzes the adjustments made each year by the Secretary of HHS. In this report the Commission comments on the recommendations which the Secretary has accepted, the recommendations which have not been accepted and on other important areas where the Secretary has made adjustments.

In our third report to the Congress, ProPAC presents extensive descriptive information relating to Medicare Prospective Payment and the American Health Care System. This year's report, which was published in February, contains updated information regarding health care expenditures, the use and provision of hospital services, hospitals' financial condition, financial effects of PPS on beneficiaries, and a section on the changes occurring in the financing and delivery of health care services for the nation.

Of special interest is a chapter describing the relative payment amounts that different hospitals receive. This descriptive analysis includes: changes in the area wage adjustment, redistribution of PPS payments through the transition to national rates, outlier cases and payments, hospital case-mix index changes, and operating margins in the first year of PPS.

With this background on our recent activities, let me now turn to our fiscal year 1987 budget and appropriations request.

Fiscal Year 1988 Appropriations Request

We are proposing a budget of $3,798,000. This compares with our fiscal year 1987 budget of $3,421,000. Our funds are expended in two major categories: Administration and Management, and Data Development, Analysis and Research.

Administration and Management ($2.25 million)

This category includes funding necessary for payment of Commissioners for travel and time spent on Commission business; for salary and benefits for an Executive Director and staff; for facilities, supplies, equipment, and travel; for communications with the public, including maintenance of an extensive mailing list, publication of at least three major reports each year, and expenses associated with open public meetings of the Commission and its subcommittees; and for other administrative expenses associated with facilitating the work of the Commission.

Data Development, Analysis, and Research ($1.25 million)

This category represents funds from the proposed budget which are to be expended through grants and contracts with organizations and individuals outside ProPAC. We believe that an important Commission role is to identify, define, and develop solutions for problem areas in the prospective payment system. Because we wish to base our decision-making on the best, most recent and thorough data and information possible, a strong analytic commitment is required. Analysis and data development which cannot be completed internally by the Commission's staff is thus included in this category of funding.

Our extramural data development and research budget and agenda for 1985-1988 is attached to our budget justification. In the attachment we describe the projects which have been completed as well as those which are ongoing. Of special interest are those projects being developed for FY 1987 and under consideration for FY 1988. In FY 1987, the Commission will continue to examine changes in DRG case mix and case complexity. Analysis will focus on improving measures of case complexity and distinguishing changes due to the types of patients treated from those due to coding patients.

A second project expands on ProPAC's work concerning the provision of transitional or subacute care. This project will examine the implications of this new level of care as it affects the quality of care reviewed by Medicare beneficiaries.

A third activity will examine the relation between resource use and costs and the length of patient stays in the hospital. This research will be used to guide the development of adjustments concerning outlier payment policy.

Additional projects will examine capital intensity variations across DRGs, the criteria PROs use to approve or deny admissions, hospital quality of care monitoring activities and the impact of PPS on access to and use of medical technologies.

You will note, Mr. Chairman, that our extramural research budget has remained constant at $1 million for the past 3 years. We are requesting an additional $250,000 for FY 1988. Among the topics being considered are the measurement of nursing intensity and improvements in the allocation of nursing costs, further work on the effects of PPS on the development and use of quality of care enhancing medical technologies, the impact of hospital managerial strategies on quality of care and the impact on beneficiaries of the shift in patient services to ambulatory settings.

Mr. Chairman, this completes my formal testimony. I would be pleased to answer any questions which you or members of the Committee may have.

BIOGRAPHY OF STUART H. ALTMAN

Stuart H. Altman, dean of the Florence Heller Graduate School for Social Policy, Brandeis University, and Sol C. Chaikin Professor of National Health Policy, is an economist whose research interests are primarily in the area of Federal health policy. He has been at Brandeis since 1977. Between 1971 and 1976, Dean Altman was deputy assistant secretary for planning and evaluation/health at the Department of Health, Education and Welfare (now the Department of Health and Human Services). In that position, he was one of the primary contributors to the development and advancement of the National Health Insurance proposal. From 1973 to 1974, he also served as the deputy director for health of the President's Cost of Living Council, where he was responsible for developing the council's program on health care cost-containment. Formerly, Dean Altman taught at Brown University and at the University of California (Berkeley). He is a member of the Institute of Medicine of the National Academy of Sciences and former member of its governing council; on the board of Beth Israel Hospital (Boston); chairman of the board of the Health Policy Center at Brandeis; and president of the National Foundation for Health Services Research. He is a past president of the National Association for Health Services Research and former board member of the Robert Wood Johnson Clinical Scholars Program. Dean Altman also served on the President's Commission for a National Agenda for the Eighties. A member of several editorial boards, he has published extensively on various aspects of health care and public policy. His recent publications include: the Arthur Weissman Memorial Lecture, "Will the Medicare Prospective Payment System Succeed? Technical Adjustments Can Make the Difference,"; Federal Health Policy: Problems and Prospects, with Harvey M. Sapolsky; Ambulatory Care: Problems of Cost and Access, with Joanna Lion and Judith LaVor Williams; "Financing Hospital Care: An Uncertain Future," Journal of Health Administration and Education, Winter, Vol. 3, No. 1, 1985; "The Impact of Cost Shifting on the Health Care System," in Health Care Commentary, Health Insurance Association of America; and "The Growing Physician Surplus: Will it Bankrupt or Benefit the U.S. Health System?" in In Search of a Public Policy, edited by Eli Ginzberg and Miriam Ostow. Dean Altman received both an M.S. and a Ph.D. in economics from the University of California (Los Angeles).

BIOGRAPHY OF DONALD A. YOUNG

Donald A. Young joins the Prospective Payment Assessment Commission from the Health Care Financing Administration where he was Deputy Director of the Bureau of Eligibility, Reimbursement and Coverage. In that position, he managed and supervised the staff responsible for developing the policies and regulations and implementing instructions for the Medicare and Medicaid programs in the areas of coverage (benefits), reimbursement and alternative payment mechanisms, eligibility, and entitelment. From 1977 to 1980, he participated in the Veterans Administration Administrative Scholars' Program where his research interests included the development and diffusion of health care technologies. He was previously Medical Director of the American Lung Association and prior to that in private practice as an Internist and Pulmonary Specialist at the Palo Alto Medical Clinic in California. While in practice he served on numerous committees at the local, state and National level. He received his M.D. degree from the University of California in San Francisco and completed his internship and residency at that institution and at the University of Texas, Southwestern Medical School. He is board certified in Internal Medicine and Pulmonary Disease.

SUMMARY STATEMENT

Dr. YOUNG. Thank you, sir.

Dr. Altman did ask me to convey his regrets to you. The change in the date resulted in a conflict that he could simply not correct.

I am pleased to represent the ProPAC Commissioners and to present ProPAC's budget and appropriation request for fiscal year 1988. As you know, the Commission was mandated in 1983 as part of the law that established the Medicare Prospective Payment System. We are charged with maintaining and updating this hospital payment system through reports and recommendations to the Congress and to the Department of Health and Human Services.

In the 3 years since ProPAC began its work, we have examined many important policy issues and have brought to the attention of the Secretary and the Congress problems which we believe could compromise the effective delivery of high quality care.

In some cases, the Secretary has accepted our recommendations. In other cases, Congress has legislated necessary changes. We believe that continuing adjustments to the Prospective Payment System are necessary to be responsive to constantly changing medical practices.

Our next report is due April 1, 1987, and will contain a number of recommendations for updating and improving the Medicare Prospective Payment System. Our major products are three reports.

I should note for the record that we have prepared and delivered all of our reports to the Secretary, as well as those reports to the Congress, by the date they were due on each occasion. We are very proud of this accomplishment.

Our major report has been due April 1 each year. Beginning in 1988, Congress has requested this report be delivered by March 1. In this report we annually recommend an update factor or a change in payments to hospitals, as well as changes in the structure of the DRG's and other structural changes that affect the distribution of dollars to hospitals.

Our second report is to the Congress. This report analyzes the adjustments made each year by the Secretary of HHS, and in this report the Commission comments on the recommendations the Secretary has accepted, as well as those that have not been accepted and other important policy changes.

In our third report, which is also to the Congress, we present extensive descriptive information relating to the Medicare Prospective Payment System and to the American health care system as a whole. This year's report was published last week.

I would like to turn now to our fiscal year 1988 appropriations request. We are proposing a budget of $3,798,000. This compares to our fiscal year 1987 budget of $3,421,000.

The budget is in two major categories. The first is administration and management, which is $2.55 million. This category includes funding necessary for payment of Commissioners for travel and time spent on Commission business, for salaries for staff, and for the usual supplies, equipment, and travel, as well as communications with the public, which includes an extensive mailing list.

Our other major category is data development, analysis, and research, and we are requesting $1.25 million this year. This category represents funds which we spend through grants and contracts to organizations and individuals outside of ProPAC.

Our extramural data development and research budget is attached to our budget justification. In that attachment we describe our projects beginning in 1985 through those projected for 1988.

Among the projects that we have underway for 1987 is one that looks at changes in the DRG's case mix and case complexity. A second one looks at the important issue of transitional or subacute care, that is what happens to Medicare beneficiaries as they near the end of a hospital stay.

A third activity examines the relationship between resource use and length of stay, a subject that is very important to the development of outlier policy for the Medicare Program.

In addition, we have a number of other projects looking at capital intensity variations, the criteria that the PRO's are using to approve or deny admissions, and additional hospital quality of care monitoring activities.

You will note, Mr. Chairman, that our extramural research budget has been $1 million for the first 3 years of our existence. We are requesting an additional $250,000 for fiscal year 1988, and the Commission is considering an array of projects which we believe would greatly add to the Prospective Payment System.

This summarizes my testimony.

Senator WEICKER. Thank you.

Dr. Young, can you briefly tell me—I understand the Commission met yesterday to make their final cut of the April report, I guess it is. Give me, if you can briefly, what you consider to be the most important recommendation that you are making in the report?

Dr. YOUNG. The major recommendation affects the level of payment to hospitals. The recommendation of the Commission will have two parts. One part is to reduce hospital standardized amounts to reflect some discrepancies between 1981 cost data that was used to set those amounts, and more recent 1984 cost data.

We are recommending that there be a total 5.4-percent reduction in the standardized amounts, and that this be phased in——

Senator CHILES. That will save money.

Dr. YOUNG. I am sorry?

Senator CHILES. That will be money savings.

Dr. YOUNG. That will be money savings, yes.

And that would be phased in over a period of 3 years, with a minus 1.8 percent each year in per case payments. In addition, we are recommending that the amounts be updated to reflect inflation——

Senator CHILES. How much—can you project those savings for me?

Dr. YOUNG. One percent is in the range of $400 million, so that 5.4 percent would be $2.2 billion over the 3-year period.

In addition, we are recommending, as we have previously, that the amounts be updated to reflect the cost of the input prices to hospitals, that is the prices the hospitals have to pay for labor and for services.

We are reducing that amount, the hospital market basket, by 1 percent to reflect a productivity goal. That is, we wish to encourage hospitals to continue to be efficient in delivery of services.

We are adding one-half of 1 percent to reflect technologic and scientific advances, recognizing that these are constantly occurring; and a minus three-tenths of 1 percent to reflect substitution in services as services move from inside to outside the hospital.

The bottom line then in the update factor would be 4.1 percent, less than the rate of inflation in the economy generally. And we would subtract from that the 1.8 percent I mentioned earlier to reflect prior cost reporting differences.

So that the update this year would be 2.3 percent in the aggregate. I would like to point out, however, that we are going to be recommending a different amount for urban and for rural hospitals. The cost data demonstrated——

Senator CHILES. You are distinguishing between the two?

Dr. YOUNG. Yes, sir; the cost data clearly differed, showing that the discrepancy between the 1981 and the 1984 costs was greater for urban than for rural. So that the urban amount would be 2.2 percent and the rural amount 3.1 percent.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator CHILES. We thank you very much. We have some other questions and we will submit those for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

April Report Recommendations

Senator Chiles: One of your primary responsibilities is to recommend changes in the Medicare payment rates and changes in the diagnosis-related groups (DRGs) each year. These recommendations are made in the annual April report. Although the April report has not been submitted to Congress yet, would you tell us what some of those recommendations might be?

Dr. Young: This year's April report contains 28 recommendations. These recommendations relate to the updating of PPS payment amounts and other adjustments we believe are necessary in the DRGs and in other parts of the PPS system. To update the payment amounts, we have recommended an increase in the level of PPS prices of 2.2 percent for urban hospitals and 3.0 percent for rural hospitals. These update factors are derived by combining several components. One is a 5.4 percent average reduction, to be phased in over the next three years, to reflect recently discovered differences between projected and actual costs during the first year of PPS. We have also recommended the use of a sampling strategy which we developed to speed up the availability of Medicare Cost report data, so that the most timely information is available to us, to the Administration, and to the Congress for decision-making purposes. In addition, we have recommended incorporating capital payments into PPS beginning in fiscal year 1988, and have suggested several specific policies be adopted as capital is included in the system. We have made important recommendations for changes to improve the definition of hospital labor market areas, as well as suggestions regarding the financial impact of PPS on beneficiaries and the review of quality of care under PPS by the PROs. A series of recommendations was developed to assure access to care for beneficiaries who rely on rural hospitals. Finally, we have offered a series of recommendations involving improvements to the DRGs.

Senator Chiles: How well would you say your previous year's recommendations have been heeded by the Congress and by the Administration?

Dr. Young: We are pleased that a large number of our recommendations has been accepted by both the Congress and the Secretary. On balance, the Congress has actually been more receptive to the changes which we have recommended than has the Secretary. Specifically, in 1985 and 1986, Congress considered the level of the update factor proposed by the Secretary as well as that recommended by ProPAC. In both years, Congress legislated an update factor which was higher than that recommended by the Secretary and lower than ProPAC's recommendations. In both years the Commission made recommendations related to the distributional impacts of PPS. It proposed an adjustment for hospitals that serve a disproportionate share of poor patients, which has been enacted by the Congress. ProPAC also expressed concern that the movement to full Federal rates might have unforeseen distributional impacts, and recommended a pause in the transition to these rates. This recommended pause was also enacted by Congress. Likewise, the Commission`s recommendation in 1986 regarding the need for a new, more equitable formula for beneficiary cost sharing was not accepted by the Secretary but was enacted by the Congress. ProPAC's recommendations related to technical improvements in the market basket have been accepted, as well as our recommendation to annually recalibrate the DRG weights.

Quality of Care

Senator Chiles: Another annual report that you prepare for the Congress is the "February" report dealing with the impact of the PPS on the quality of care. Dr. Young, are there sicker Medicare patients in the hospitals, and, if so, why has this happened?

Dr. Young: Actually, our February report, Medicare Prospective Payment and the American Health Care System, covers a wide array of data and information about the impact of PPS on the nation's health care system and is not limited to the impact of PPS on quality.

You asked whether Medicare hospital patients are sicker and if so, why this has happened. We believe that Medicare hospital patients are sicker than they were five years ago, and we believe that several factors are involved in this phenomena. PPS has incentives to provide care in the most efficient and effective way, and to limit the length of stay in the hospital. Because of these incentives, many tests and procedures are now completed in an outpatient setting rather than an inpatient setting. Thus, patients who do not need to stay in the hospital overnight to receive a minor procedure or testing are not admitted to the hospital. That means that the patients who are admitted to the hospital tend to be the ones who are sicker, or who have a series of medical problems or complications.

In addition to this factor, the declining length of stay tied to the PPS incentives also results in sicker patients in the hospital. This is because the length of stay is usually shortened by decreasing the days the patient stays in the hospital at the end of the stay. That is, the patient is sent home after the need for acute medical care, which is appropriately provided within the hospital, is over. That means that some recuperative days, or days during which post-acute care is appropriate, are no longer spent in the hospital. The result is that the patients who remain in the hospital are, on average, sicker, because they are at a more critical point in their recovery.

Senator Chiles: Are patients being released prematurely? Where are these patients going? What are your recommendations to correct this problem?

Dr. Young: We do not believe that large numbers of patients are being discharged prematurely. Obviously, patients are being discharged sooner, as evidenced by the declines in length of stay. And some of these patients are doubtless sicker than patients discharged five years ago. But we do not believe that most of these discharges are inappropriate. Rather, we have been concerned that patients discharged sooner may not be able to find adequate community or home resources to help them complete their recovery. Thus, we have undertaken a major research project to study the provision of sub-acute or transitional care services. This study will be completed in 1988 and we look forward to sharing its findings with you.

Research Budget

Senator Chiles: Your research budget is expended through grants and contracts with outside organizations to provide detailed quantitative information bases. For the past three years, you have requested $1 million for this budget. This year, you are requesting $1,250,000, an increase of 25 percent. What research projects are you planning for in fiscal year 1988?

Dr. Young: A detailed review of our research for past and future years is attached to our formal budget justification. Briefly, the major new projects presently being considered and developed for fiscal year 1988 include work on changes in DRG case mix and case complexity, examination of the relationship between resource use and costs and the length of patient stay (to be used to review outlier payment policy), capital intensity variations across the DRGs, the criteria used by PROs to approve or deny admissions, the impact of PPS on access to and use of medical technologies, and potential work to monitor and evaluate the impact of PPS on nursing services.

Senator Chiles: In your research plan justifications, you outline an ongoing study of transitional care. Would you explain what "transitional care" is and what kind of analysis you are performing?

Dr. Young: As I mentioned earlier, we have been concerned that with shorter lengths of hospital stay, patients are often discharged sooner and have continuing sub-acute care needs. We define transitional care as that care which is required after an acute hospital stay. It can include continued care in the hospital at a sub-acute level, or care in nursing homes, care from home health agencies, or support services provided by friends, relatives, or others. Our study, performed under contract by Lewin and Associates, will have several components. First, the contractor is now completing a literature review on sub-acute and transitional care. They are also working with the American Hospital Association, with whom we have, also, contracted for a formal survey of hospital provision of transitional care.

In addition, Lewin and Associates will complete a series of case studies in five states to review transitional care service experience in different geographic areas of the U.S.

Restructuring Beneficiary Cost-Sharing

Senator Chiles: Recently, the President proposed Secretary Bowen's plan for catastrophic health coverage. A major cornerstone of the plan is the self-financing aspect of the insurance premium to cover costs. Do you see any need to restructure beneficiary cost-sharing mechanisms in the Medicare program?

Dr. Young: Yes, in our April report this year, ProPAC will recommend a change in inpatient hospital cost-sharing requirements. That recommendation states: "The proportion of inpatient hospital payments borne by Medicare beneficiaries should be returned to its pre-PPS level. This proportion has inappropriately increased as a result of significant declines in length of stay experienced since the beginning of PPS. Furthermore, the structure of inpatient hospital cost-sharing requirements should be consistent with PPS incentives. In particular, current coinsurance and spell of illness requirements need to be reexamined." In the discussion portion of this recommendation, we note that current legislative proposals, such as those related to catastrophic coverage, should address this concern.

Relationship with the Health Care Financing Administration

Senator Chiles: I realize that one of your missions is to advise Congress and the Executive Branch in maintaining the Medicare PPS. I would imagine that involves discussions with the agency that administers the Medicare program. What is your working relationship with the Health Care Financing Adminstration?

Dr. Young: We have an excellent relationship with HCFA. ProPAC staff and HCFA staff have frequent meetings and discussions about ongoing problems and issues. We also meet from time to time with the HCFA Administrator and other senior officials of the agency, and they address Commission and Subcommittee meetings when appropriate.

Senator Chiles: Do you share data and research with each other?

Dr. Young: Yes, we regularly receive the most up-to-date Medicare data from HCFA, which we use in our analyses. We also work hard to assure that our research activities are complementary and are not duplicative.

Senator Chiles: Does your staff share information with other offices, in addition to the Research and Demonstration office?

Dr. Young: Yes, we share information with staff throughout HCFA, including staff in all the major bureaus and offices of the agency. We also regularly share data and information with other Congressional agencies such as CBO and CRS.

Senator Chiles: Have you found the agency contact with each other productive?

Dr. Young: I believe that we have found it to be enormously beneficial to both HCFA and ProPAC.

CBO "Rebasing" Proposal

Senator Chiles: The Congressional Budget Office (CBO) has proposed that one method to reduce the Federal deficit is to change the base of the prospective payment system rates or "Rebase" the rates. Would you briefly explain what "Rebasing" is and what the CBO proposal recommends?

Dr. Young: ProPAC has defined rebasing the standardized amounts as the development of new standardized amounts through recalculation using more recent data and then updating the rates to the payment year. We have considered rebasing as a purely arithmetic process, and we have not favored this approach, for we believe that standardized amounts should be modified through the application of judgment, not accomplished merely as a mechanical process.

In its Reducing the Deficit publication earlier this year, CBO estimated that if the arithmetic process were used, it would achieve five-year savings of $27 billion.

Senator Chiles: Does the Commission concur with this recommendation?

Dr. Young: No, the Commission does not concur with the options CBO presented, although we do believe that the standardized amounts should be updated, based on the new data that we have available on first-year PPS costs. This is a rather complicated subject, but I will try to briefly outline the Commission's position.

When PPS was begun in fiscal year 1984, we did not have current actual costs. Rather, the actual costs for fiscal year 1981, the most recent data that were then available, were used in developing the rates. Those 1981 actual costs were updated to fiscal year 1984 and the Congress specified that the initial rates for FY 1984 and 1985 be "budget neutral" to spending under the TEFRA limits. Since the first year of PPS, the amounts have been updated -- by 3.4 percent in FY 1985, by 0.5 percent in FY 1986, and by 1.15 percent in FY 1987.

Now, however, we have actual hospital cost data for the first year of PPS. We find that if we replace the updated 1981 costs with these new actual first year PPS costs, the standardized amounts are lower. The amount of the difference has been estimated by ProPAC be about 13 percent for urban hospitals and 7.6 percent for rural hospitals.

A purely arithmetic approach -- rebasing, as ProPAC views it -- would mean that the rates should be automatically lowered by these percentages. However, we believe that this type of rebasing should not occur. Rather, we believe that this information, in setting the Fiscal Year 1988 PPS prices, should be taken into consideration, along with other factors and judgments.

Thus, the ProPAC Update Factor recommendation for fiscal year 1988 is based upon a first step to adjust the standardized amounts. Our recommendation is to first lower the standardized amounts a total of 5.4 percent phased over a three year period, then to adjust with other updating components. These include an increase of 4.9 percent for inflation in the hospital market basket, a 0.5 percent increase for scientific and technological advances, and a 1.3 percent increase for real case-mix change; and decreases of 1.0 percent for improvements in hospital productivity, 0.3 percent for shifts in the site of services, and another 1.3 percent for expected changes in the case-mix index. All of these changes result in a recommended overall increase in PPS prices for fiscal year 1988 of 2.2 percent for urban hospitals and 3.0 percent for rural hospitals.

Two Additional Commissioners

Senator Chiles: The Consolidated Omnibus Budget Reconciliation Act of 1985 increased the number of Commissioners from 15 to 17. I understand that the two

Commissioners were appointed last year. For the record, would you provide the names, biographical information, and dates of service for these two members.

Dr. Young: The two new Commissioners added as the result of the statutory change in the size of the Commission are: Dr. Carolyne K. Davis and Dr. Bruce Vladeck. Both were appointed to serve three-year terms. The COBRA legislative history had specified that representatives of the nursing profession and rural hospitals should be added to the Commission. Before COBRA was actually enacted, representatives of these groups had been added. They are Kathryn Mershon, R.N. and Curtis Erickson. These individuals will also serve three year terms. The biographical sketches for individuals follow:

Carolyne K. Davis

Carolyne K. Davis is national and international health care adviser to Ernst & Whinney. She also serves on the board of directors of Beverly Enterprises and SmithKline Beckman. Dr. Davis was administrator of the Health Care Financing Administration (HCFA), Department of Health and Human Services, from 1981 to 1985--the first woman to hold this post since the agency's creation in 1977. Under her tenure, the Medicare prospective payment system was implemented. Dr. Davis was associate vice president for academic affairs at the University of Michigan from 1975 to 1981. During that time, she also served on the board of directors of The Johns Hopkins University. Previously, she was dean of the School of Nursing at Michigan, while holding professorships in nursing and education. She also chaired the Baccalaureate Nursing Program at Syracuse University, where she held an associate professorship of nursing. Before moving into the academic community, Dr. Davis was a clinical nurse. She has published numerous articles and research documents dealing with a wide variety of issues in health care. Her other professional activities have included president and board member of the International Health Economics Management Institute, as well as board member of Nursing Economics and the National League for Nursing. Dr. Davis received a nursing degree from The Johns Hopkins University, and a master's in nursing education and a Ph.D. in administration from Syracuse University. She holds four honorary doctorate degrees.

Curtis C. Erickson

Curtis C. Erickson is president and chief executive officer of Great Plains Health Alliance, Inc., a post he has held since 1959. He was that organization's assistant director from 1955 to 1959. Having served the American Hospital Association (AHA) in many capacities, he will become chairman of Regional Advisory Board 6 and a trustee in 1987. He has also chaired AHA's advisory panel to the Center for Small or Rural Hospitals and has been a member of the Council on Management, the Council on Federal Relations, and a representative to the House of Delegates. President of the Lutheran Hospital Association of America from 1974 to 1975, Mr. Erickson was also on the board of trustees from 1972 to 1982. He was president of the Kansas Hospital Association from 1965 to 1966, a member of the board of governors of the Healthcare Stabilization Fund for the Kansas Department of Insurance, and past district governor of Rotary International. From 1983 to 1986, Mr. Erickson served on the Robert Wood Johnson Foundation's national advisory committee for the Rural Hospital Program of Extended Care Services. From 1983-1986, Mr. Erickson served on the Robert Wood Johnson Foundation national advisory board committee for the Rural Hospital Program of Extended Care Services. Mr. Erickson is a member of the American College of Healthcare Executives. From 1951 to 1955, he served in the U.S. Air Force. He received a B.S. in business administration from Fort Hays Kansas State University in 1951.

Kathryn M. Mershon

Kathryn M. Mershon is vice president, nursing, at Humana, Inc., a position she has held since 1980. She holds an adjunct assistant professorship of nursing at Spalding University. From 1971 to 1980, Ms. Mershon was associate executive director-nursing at St. Joseph Infirmary (now Humana Hospital Audubon) in Louisville, Kentucky. Before that, she was a clinical nursing specialist at St. Joseph Infirmary, clinical instructor at St. Francis Xavier Hospital School of Nursing, and a staff nurse. She has a distinguished list of professional and community activities, including board of governors of the Federation of American Health Systems, board member of the National League for Nursing, and editorial review board of Nursing & Health Care. She is a former trustee of Spalding University and member of the advisory board of the University of Louisville's School of Nursing. She also served on the Louisville Board of Health and on the board of governors of Louisville General Hospital. She has made numerous public presentations on a variety of nursing-related issues. Her recent publications include: "Some Myths Pertaining to For-Profit Health Care," in Nursing Economics, September/October 1986 and "Nurses and the Health Cost Crisis: A Strategic Approach to the Challenge," in Orthopaedic Nursing, January/February 1985. Ms. Mershon received a B.S. in nursing from Spalding University and a M.S. in nursing from St. Louis University.

Bruce C. Vladeck

Bruce C. Vladeck is president of the United Hospital Fund of New York. Immediately before joining that organization, Dr. Vladeck was assistant vice president of the Robert Wood Johnson Foundation. From 1979 to 1982, he was assistant commissioner for health planning and resources development of the New Jersey State Department of Health. In that position, he was director of the State Health Planning and Development Agency, where he oversaw the implementation of New Jersey's all payers, DRG-based hospital prospective payment system. Dr. Vladeck taught for four and one-half years at Columbia University, and has served on the adjunct faculty of Rutgers, Princeton, the College of Medicine and Dentistry of New Jersey, and New York University. He is the author of Unloving Care: The Nursing Home Tragedy, and of numerous articles and book chapters on health policy, health care finance, and health politics. He is a member of the New York State Council of Health Care Financing, the Institute of Medicine of the National Academy of Sciences, and various national advisory committees of the Robert Wood Johnson Foundation. Dr. Vladeck, who is a Fellow of the New York Academy of Medicine, also serves on the board of the Association for Health Services Research. He received his bachelor's degree in government from Harvard College, and his M.A. and Ph.D. in political science from the University of Michigan.

Questions Submitted by Senator Lowell P. Weicker, Jr.

Catastrophic Health Insurance Proposal

Senator Weicker: Dr. Young, did you participate in the development of Secretary Bowen's catastrophic health insurance proposal? Are there any areas you think we should be doing more than what is proposed in the Secretary's plan?

Dr. Young: ProPAC did not participate in the development of Secretary Bowen's catastrophic health insurance proposal, nor has the Commission formally reviewed the proposal. We are recommending in this year's report that the proportion of beneficiary cost sharing for hospital care be returned to its pre-PPS level.

Medicare Home Health Program

Senator Weicker: Dr. Young, do you think the Medicare program adequately covers home health care services? Since DRG's may often send people home from the hospital sooner and sicker than before, do you think we are doing enough to ensure that home health needs are being met?

Dr. Young: Home health services are indeed an important part of the Medicare benefit package, especially in light of the decreased lengths of stay we have seen since the implementation of PPS. ProPAC has not reviewed in detail the current statutory, regulatory, and administrative basis for the home health benefit, but our study of post-acute or transitional care examined in detail post acute care needs and the availability of services to meet these needs. Although our study focuses on the provision of transitional care in hospitals, the study will involve case studies in a number of states. We anticipate that through these case studies a great deal of information about use and need for home health services will be generated. In 1988, when the study is completed, the Commission will review its findings and we may then be in a better position to answer your question about the needs for home health care in a more systematic fashion.

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

Biennial Budget Cycle

Senator Domenici: Calls for budget reform are increasingly heard as budget deadlines are too often missed, important budget decisions are delayed, appropriation bills and other direct spending legislation are held up in committee, and omnibus spending bills take the place of timely and orderly consideration of individual bills. One procedural reform that is being considered is the two-year budget cycle where budget and appropriations matters would be considered in the first year, and authorizations and oversight would be undertaken in the second year. Would your department/agency favor a biennial budget process? What benefits would your agency achieve in a two-year appropriation cycle?

Dr. Young: The Commission has not discussed this matter and has not taken a position on the biennial budget cycle. Because our agency is rather small, the impact of this change might not be as great as it would be on a larger department or agency. Nevertheless, the problems encountered when appropriations bills are not enacted before the beginning of a fiscal year would likely diminish under a biennial budget cycle, and a longer period of predictability of appropriations would probably result, which would be useful for the management of any size organization.

Senator Domenici: Approximately what proportion of your annual appropriation request would you consider simply repetitious of the previous year's submission?

Dr. Young: The great majority of our appropriation request is continuing funding for activities at the same level or with minimal increases over the previous year's submission. Our requests reflect government-wide increases in salaries, changes in the Federal Employees retirement system, etc. The only significant changes relate to our research request, which has only changed once in three years.

Senator Domenici: What difficulties can you foresee in preparing and submitting a two-year budget to the Congress?

Dr. Young: The nature of our work on the Medicare PPS system requires that we do a great deal of short-term analytic and data-gathering work which generally needs to be completed within one year. If unexpected problems are identified, we might experience difficulty adjusting our budget to meet the need for a particular analysis if we were near the beginning of a biennial budget period.

Senator Domenici: If you oppose the biennial budget concept, please give this Subcommittee your reasons why.

Dr. Young: We do not oppose the biennial budget concept.

SUBCOMMITTEE RECESS

Senator CHILES. We will recess our hearings now until Thursday, March 5, when we will meet in 116 of the Dirksen Building at 9:30 to hear from the Alcohol, Drug Abuse, and Mental Health Administration and the Health Resources and Services Administration.

Thank you.

[Whereupon, at 11:25 a.m., Wednesday, March 4, the subcommittee was recessed, to reconvene at 9:30 a.m., Thursday, March 5.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1988

THURSDAY, MARCH 5, 1987

U.S. Senate,
Subcommittee of the Committee on Appropriations,
Washington, DC.

The subcommittee met at 9:40 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lawton Chiles (chairman) presiding.

Present: Senators Chiles, Weicker, and Domenici.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Alcohol, Drug Abuse, and Mental Health Administration

STATEMENT OF DONALD IAN MACDONALD, M.D., ADMINISTRATOR

ACCOMPANIED BY:
- ROBERT L. TRACHTENBERG, DEPUTY ADMINISTRATOR
- FRANK J. SULLIVAN, ACTING DIRECTOR, NATIONAL INSTITUTE OF MENTAL HEALTH
- CHARLES R. SCHUSTER, DIRECTOR, NATIONAL INSTITUTE ON DRUG ABUSE
- ENOCH GORDIS, DIRECTOR, NATIONAL INSTITUTE ON ALCOHOL, DRUG ABUSE, AND ALCOHOLISM
- WILLIAM BELDON, BUDGET OFFICER, OFFICE OF THE ASSISTANT SECRETARY FOR MANAGEMENT AND BUDGET, DEPARTMENT OF HEALTH AND HUMAN SERVICES
- KENT AUGUSTSON, BUDGET OFFICER
- WILLIAM G. PRESCOTT, SUPERINTENDENT, ST. ELIZABETHS HOSPITAL
- WILFORD J. FORBUSH, DEPUTY ASSISTANT SECRETARY FOR HEALTH OPERATIONS, PUBLIC HEALTH SERVICE
- JAMES E. PITTMAN, ASSISTANT DIRECTOR FOR ST. ELIZABETHS HOSPITAL TRANSITION, NATIONAL INSTITUTE OF MENTAL HEALTH

OPENING REMARKS

Senator Chiles. This morning the committee will hear testimony in support of the budget request for the Alcohol, Drug Abuse, and Mental Health Administration and the Health Resources and Services Administration.

Testifying in support of the request for the Alcohol, Drug Abuse, and Mental Health Administration is Dr. Donald Macdonald, the Agency Administrator. Dr. Macdonald is also serving as the White House Drug Policy Advisor and we are pleased to have you with us this morning, doctor.

From our special hearing the subcommittee held on January 29 the Agency is well aware of the deep concerns that many of us have with the 1988 zero budget request for drug treatment grants to the States to follow the funds we provided for this purpose in 1987 subsequent to the passage of the 1987 Anti-Drug Act. I also notice with some concern that a 7-percent reduction is proposed for research into mental disorders of the aging. We look forward to discussing these and other issues this morning.

Senator Weicker.

Senator WEICKER. I have no opening statement. I do have questions, and I just want to indicate my personal affection for Dr. Macdonald, who I think has done an outstanding job in the position that he occupies. I cannot believe that this budget is entirely of his doing, but we will get to those questions later.

Senator CHILES. Thank you, sir.

PREPARED STATEMENTS

Dr. Macdonald, if you will introduce your associates and then proceed with an oral summary of your remarks, then we will put your full statement in the hearing record. We also have the statement of Mr. Frank Sullivan in support of the request for St. Elizabeths Hospital, and we will put Mr. Sullivan's statement in the record.

[The statements follow:]

STATEMENT OF DONALD IAN MACDONALD

I am pleased to appear before you today to discuss the President's fiscal year 1988 budget request for the Alcohol, Drug Abuse, and Mental Health Administration.

I would like to emphasize to the Committee that my testimony is presented in my role as Administrator of ADAMHA, even though I recently have had the honor of being appointed by the President to the additional responsibility of directing the White House Office of Drug Abuse Policy. My comments today will be limited to issues relevant to the budget request of ADAMHA.

The problems ADAMHA is charged with addressing are costing our Nation hundreds of billions of dollars. Our most recent estimate places the total annual economic impact from consequences of alcohol, drug, and mental health problems at $249 billion.

But even such an enormous cost — which includes health care expenses, reduced productivity, accidents and violence related to alcohol, drug, and mental health problems, and many other direct and indirect costs — does not account for the immeasurable personal suffering attributable to these problems. The latest national survey of drug abuse, for instance, indicates that — although there are signs that our efforts to halt drug use are working — it remains at historically high levels. In 1985, nearly 37 million persons had tried cocaine, marijuana, or some other illegal drug. Even more disturbing, use of alcohol, marijuana, and cigarettes — the so-called "gateway drugs" whose use frequently precedes other drug abuse — and of cocaine, were all up among 12-17 year olds. Especially disheartening was the finding that 44 percent of the youths who had used cocaine did so in the most dangerous manner, by "freebasing" — or smoking — a purified form, known as "crack."

There are encouraging data, however, in the NIDA high school senior survey just reported: the 5-year decline in seniors' use of many drugs — which seemed stalled in 1985 — resumed its downward trend in 1986, especially for marijuana, amphetamine, stimulants, and methaqualone. These findings show that nationwide prevention efforts are taking effect. A worrisome exception was that 17 percent of seniors report that they have experimented with cocaine, the same level as in 1985. Better news regarding cocaine was the arrest of the upward trend in number of daily users. Further good news was a continued increase in the number of seniors who perceive regular use of cocaine as dangerous.

Alcohol abuse continues as a major killer, taking about 100,000 lives annually in the United States. Alcohol abuse also is strongly associated with traumatic injuries, the leading cause of death and disability in those under 44.

Our data indicate that one out of every five Americans has a diagnosable mental health problem during any six-month period. Between 9 and 10 million have a depressive illness, and 1 and 1/2 million suffer from the most intractable mental illness of all — schizophrenia.

The increasing number of AIDS cases in the U.S. also has implications for ADAMHA: One-quarter of all AIDS patients are IV drug users. Twenty percent of persons infected with the AIDS virus show symptoms of brain dysfunction before any other symptoms. And we know that alcohol adversely affects the immune system, possibly weakening the body's defenses against this dread disease.

Mr. Chairman, I am pleased to report to the Committee that we are making steady progress toward understanding the biochemical and other factors involved in many of these health problems. This new knowledge ultimately will enable us to treat and prevent more of them.

For instance, in a significant development that may help us solve the Nation's AIDS crisis, a team of Federal scientists led by NIMH researchers has mapped the receptor sites in the brain where the AIDS virus attaches. In a superb example of "scientific serendipity," the NIMH scientists applied technology they had developed to map opiate receptors in the brain to locate the AIDS receptors. These investigators have now developed a synthetic peptide — a small protein — that may be used to block entry of the virus into brain cells, and into the immune system.

Other studies by our intramural scientists are shedding light on how cocaine works in the body. They have demonstrated in rats that chronic use of cocaine causes a process in the brain known as "kindling," which can set the stage for a potentially fatal seizure even after a user consumes less than a usual dose.

In a scientific advance that has potential for eventually treating PCP overdoses, NIDA grantees have been able to produce antibodies in animals that appear to promote more efficient secretion of the drug from the body. If this approach proves effective at higher levels of PCP, we could save people from dying from PCP overdoses.

In another advance, alcohol researchers have discovered a promising therapy for alcohol-related brain damage. Significant improvement in cognitive function occurred in patients with alcohol-induced amnesia after treatment with the drug fluvoxamine.

New findings also are available which have a bearing on the relationship of drug use to public safety. In preliminary studies, NIAAA supported researchers have shown that human performance on complex tasks such as piloting aircraft can be seriously impaired 14-24 hours after use of alcohol or marijuana.

The role of brain chemistry in many mental illnesses is coming into ever sharper focus. Scientists have shown, for instance, that a characteristic protein exists in the brains of Alzheimer's patients that may be a "marker' for this disease, and that schizophrenic patients have an abnormal number of brain receptors which respond to the neurotransmitter dopamine. Such findings have important implications for developing treatment approaches for these conditions. In another critically important finding, manic-depression has now been linked to a defective gene.

Mr. Chairman, the President's budget for ADAMHA in FY '88 will accelerate our progress against these public health problems.

Continuing to implement the President's Anti-Drug Abuse Initiative will be a top ADAMHA priority in FY '88. We are using $252 million provided in the FY '87 appropriation to support two years of new activities in research, treatment, and prevention. The President's intent in spreading this money over two years is to assure that the funds are spent efficiently and will provide a sound basis for the needed nationwide effort against drug abuse. We anticipate that this new injection of Federal funds will provide information about programs that work, and serve to leverage greater public and private investment in prevention programs of demonstrated cost-effectiveness that will benefit parents, children, employers, employees, and the Nation as a whole. After 1988, we will have an excellent idea of what Federal resources will be necessary for 1989 and beyond.

ADAMHA's alcohol and drug abuse prevention activities will be focused in the special Office of Substance Abuse Prevention (OSAP) established in ADAMHA by the Anti-Drug Abuse Act of 1986. In accordance with this law, OSAP is funding alcohol and drug abuse prevention demonstration projects, particularly for high-risk youth; it is helping parent and community organizations in their prevention efforts; and it operates a national alcohol and drug abuse information clearinghouse among other prevention activities.

The President's request for AIDS research by the ADAMHA Institutes in FY '88 totals $54 million, up $6.8 million from 1987 and a more than four-fold increase since 1986 in funds for ADAMHA research on this pressing national health problem. In line with the President's Anti-Drug Abuse Initiative, the role of intravenous drug use in transmission of the AIDS virus will be a priority target for this research.

The President's budget for FY '88 also includes an increase of $5 million for demonstration activities related to the homeless under the NIMH Community Support Program.

Mr. Chairman, the cornerstone of ADAMHA's research in 1988 will be to maintain individual project grants at the current level of about 1,600 projects. This is the largest number of grants ADAMHA has ever awarded since its inception in 1974.

We also will continue to emphasize multi-disciplinary research by funding 52 research centers, at a cost of $37 million. Eight centers will be devoted to research on AIDS.

Now let me turn to the budgets of ADAMHA's three Institutes:

NATIONAL INSTITUTE ON DRUG ABUSE

The President's request for the National Institute on Drug Abuse in FY '88 is $126 million, including $106 million for research. NIDA will continue the research activities it launched this year as part of the President's Anti-Drug Abuse Initiative. These include studies to evaluate the efficacy and cost-effectiveness of current treatment and prevention approaches, and research to develop new and innovative ones. Other studies aim at identifying children at risk for drug and alcohol abuse.

NIDA also will continue its research under the President's Initiative to develop more sensitive drug screening tests, including techniques that use saliva or skin swabs instead of blood or urine.

In addition, the Institute will continue to develop more information on cocaine and "crack," PCP, and "designer" drugs, and explore the adverse health consequences of using these substances — for example, the harm cocaine causes in the central nervous and cardiovascular systems.

NIDA will also examine the effect of maternal drug abuse on offspring. In FY '88, NIDA plans to develop needed animal models which can be used to investigate the effects of cocaine and other drugs on fetal development.

NATIONAL INSTITUTE ON ALCOHOL ABUSE AND ALCOHOLISM

The President's request for the National Institute on Alcohol Abuse and Alcoholism in FY '88 is $82 million, including $69 million for research. Treatment research will continue to be a high NIAAA priority. Over the past few years, scientific findings have led to increased recognition that there are multiple patterns of dysfunctional alcohol use which can and do result in varied types of disability — and needed treatment. Research in FY '88 would aim at improving diagnostic instruments, with the ultimate goal of matching the best treatment approach to each individual patient. Earlier research has shown that treating an alcoholic family member can reduce the general health care costs for the entire family — and can lead to net health care savings within 3 years.

Another important NIAAA treatment research goal is to develop an objective biological "marker" or indicator of alcohol consumption. Such a marker would greatly improve the physician's ability to determine whether alcohol abuse may be complicating other medical complaints of the patient, and is essential to large-scale clinical trials needed to assess treatment efficacy.

Other NIAAA studies will range from the genetics and molecular biology of alcoholism to the behavioral and biological determinants of this disease. These scientific explorations will include neuroscience research, studies on alcohol's impact during pregnancy, and investigations of alcohol-related medical disorders.

NATIONAL INSTITUTE OF MENTAL HEALTH

Mr. Chairman, the President's request for the National Institute of Mental Health in FY '88 is $321 million, including $232 million for research. NIMH will give a high priority to studies of the causes and treatment of schizophrenia — both by exploiting the many recent advances in the basic neurosciences, and by taking advantage of new technologies that now enable researchers to observe the functioning of the living human brain.

Another NIMH priority will be to better understand mental illness in the elderly and to support research on mental health services for elderly persons. A particular focus will be Alzheimer's Disease, which affects approximately 20 percent of individuals over age 85. Included in aging studies will be development and testing of memory enhancing agents, and exploration of ways to deal with family stress, which frequently results from the burden of caring for Alzheimer's victims.

NIMH also intends to continue its intensive research into mental disorders of childhood and adolescence. Research has shown that these problems are often chronic and can persist into adulthood. NIMH's goal in FY '88 is to continue to identify the characteristics and course of these disorders in order to design prevention and treatment approaches.

More than $76 million — or nearly one third of the total NIMH research budget — would be invested in sustained basic research in the brain and human behavior, in recognition that continued progress in all areas of mental illness, as well as alcohol and drug abuse, depends on such fundamental studies.

The President's budget also calls for a 3-year phasedown of the NIMH clinical training and protection and advocacy programs. This will permit an orderly transition to State and other sources of support.

Mr. Chairman, the total FY '88 budget request for the Alcohol, Drug Abuse, and Mental Health Administration is $1,037,873,000, including $495 million for the Alcohol, Drug Abuse, and Mental Health Services block grant, and the balance for our research, prevention, and other activities I have described. I will be glad to answer any questions you may have.

STATEMENT OF WILLIAM G. PRESCOTT

The presentation of this budget is particularly significant for us, because it represents the point at which responsibility for the operation of Saint Elizabeths Hospital will pass from the Federal Government to the District of Columbia.

Public Law 98-621, "The Saint Elizabeths Hospital and the District of Columbia Mental Health Services Act," designates fiscal year 1988 as the first year in which the hospital becomes part of a comprehensive mental health care system in the District of Columbia. In keeping with the provisions of the transfer legislation, our budget provides for a series of payments to the District designed to assist the transition process, and to provide equitably for the changes which will occur in the employment status of the hospital's 3,300 employees.

The 1988 appropriation request totals $68,312,000. Of this amount, $65,587,000 would be paid to the District of Columbia and $2,725,000 would be retained by the Federal Government to meet its share of the transition responsibilities.

The payment to the District will serve five functions:

- $30,000,000 is requested to implement Section 9 of the transfer legislation which affirms the continued phasedown of the direct Federal subsidy to the District of Columbia.
- $26,751,000 is requested under Section 4 of the legislation to provide the District of Columbia with sufficient funds to

bring the hospital's physical plant into compliance with all relevant national and local building codes.

- $7,400,000 is provided under Section 9 to reimburse the District of Columbia for the cost of annual leave accrued by Federal employees who will be transferred into the new mental health system.

- $1,386,000 will reimburse the District for the cost of preserving and protecting Federal property which will continue to be located on the hospital campus; and

- $50,000, authorized under Section 2, will meet the cost of retraining former Federal employees to meet new licensure and case management requirements.

The funds to be retained by the Federal Government will serve two purposes:

- $2,200,000 is requested under Section 6 to meet separation costs for staff currently at the hospital who will not be retained after the October 1, 1987 transfer date. This amount covers severance pay, lump sum leave payments, and unemployment compensation.

- $525,000 is requested for final closeout audits for Fiscal Years 1985, 1986, and 1987 and, pursuant to Section 9, to determine accrued leave balances for hospital staff on board at the time of transfer.

In addition to the 1988 appropriation request of $68,312,000, this budget also includes two other funding items. We are requesting a 1989 appropriation of $24,000,000, representing the second of the four transitional subsidy payments to the District of Columbia. Enactment of the fiscal year 1989 appropriation at this time will assure the District of a stable financial base for the next two years. Finally, we are proposing that all unobligated construction balances remaining in the hospital's facilities account as of the transfer date be transferred to the District of Columbia, to ensure that all renovations undertaken are consistent with D.C. standards and objectives. The exact amount of the transfer will depend upon the extent of renovation activities during the current fiscal year; however, our current estimate is $5,000,000.

Operationally, we are moving toward consolidation of programs and activities for the transfer of St. Elizabeths and the orderly assumption of administrative and fiscal responsibility by the District government. In keeping with the specifics and intent of the legislation and the District's mental health system plan, departmental personnel, particularly St.Elizabeths Hospital staff, have undertaken several important initiatives.

- During the summer of 1986 the hospital completed the major task of realigning over 1300 patients and 800 staff into specialized clinical programs along functional lines. This programmatic realignment has resulted in improved patient services and more effective deployment of staff.

- Following the realignment, the clinical staff has been engaged in refining admission criteria for each program and developing clinical services to meet the specialized needs of the patient population. This restructuring immediately resulted in greater efficiency allowing the closure of one ward in the medical surgical support program on December 1, 1986.

- In December of 1986, 40 intermediate nursing care patients along with 31 staff from St. Elizabeths Hospital were transferred to the District's Long-term Care Administration at D.C. Village. Transferred hospital staff retain their full rights and entitlements as Federal employees for the duration of the transition and D.C. Village is assigned complete clinical responsibility for care of the transferred patients.

- On January 28, 1987 the staff and function of the hospital's Emergency Psychiatric Services were merged into the District of Columbia Emergency Psychiatric Response Division and relocated to the D.C. General Hospital, South Community Mental Health Center. This configuration is consistent with the new mental health plan for the consolidation of all admissions and emergency mental health services in one location.

- Consistent with the effort to reduce the hospital census, a second medical surgical support program ward was closed on February 15, 1987 and on March 1, in the west side long-term care complex another ward was closed. Clinical staff previously assigned these wards are being reassigned to other patient care units to cover existing staff shortages.

As reflected above, we are at the most critical phase in the transition involving a gradual phase-in and shifting of programs, patients, staff and planned services to best meet the needs of the District.

During the remaining six months of Federal ownership of the hospital, additional patient care restructuring will be planned, organized, and accomplished as reflected in the District's final mental health system implementation plan, which will involve activities to:

- Organize staff and relocate patients to a temporary 150 bed nursing home on the SEH west-side campus for intermediary care patients.

- Organize staff and relocate patients to a 68 bed unit on the west-side campus for dually diagnosed mentally retarded/-mentally ill patients.

- Organize staff and relocate patients to a 150 bed transitional facility on the west-side campus for patients in preparation for community placement.

These additional organizational and program actions will further provide for efficiencies and cost savings and facilitate earlier operations of the D.C. administered Commission on Mental Health Services.

Throughout the process of transition, the welfare of patients and the staff at St. Elizabeths has been foremost in our minds. I expect quality care to continue at the hospital and in those programs assigned under the District administration.

Overall, we believe the status of implementation is quite promising in achieving timely and effective administrative and program changes as envisioned by Congress in developing an integrated public mental health service system for District residents. I believe we have taken a constructive role to date in our Federal stewardship which has only been possible through the complete cooperation and collaboration with the District's planning officials. We further commit ourselves to fully accomplish all of the responsibilities assigned the Department of Health and Human Services for the remainder of this important endeavor.

Mr. Chairman, we will to do everything that is possible to achieve the intent of the legislation, and we will be pleased to answer any questions you may have.

INTRODUCTION OF ASSOCIATES

Dr. MACDONALD. Thank you, Senator Chiles. Thank you for your kind words, Senator Weicker.

With me this morning on my right is Dr. Frank Sullivan, who is the Acting Director of NIMH. This is Frank's first hearing in front of the Senate.

To his right is Dr. Charles R. Schuster, Director of NIDA, who is also relatively new to this committee.

Next to him is our old timer, Mr. Robert Trachtenberg, who is the Deputy Administrator of ADAMHA.

And on his right is Mr. William Beldon, who is the Budget Officer in the Office of the Assistant Secretary for Management and Budget, DHHS.

On my left is Kent Augustson, our Budget Officer. Next to him in his first Senate hearing, is Dr. Enoch Gordis, Director of our Alcohol Institute.

In my opening remarks, in presenting the fiscal year 1988 budget request, I would like to emphasize to the committee that I am here as the ADAMHA Administrator, and, although I am honored to also be the new White House Drug Abuse Policy Officer, my comments here will pertain to ADAMHA alone.

Just as a brief summary I thought I would refresh everyone's mind of the problems related to alcohol, drug abuse, and mental illness then summarize the rather amazing scientific progress I think we have made in this last year, and finally discuss the budget request for fiscal year 1988.

Alcohol, drug abuse, and mental illness costs this country about $249 billion annually, which does not include all the personal and human suffering costs that we cannot affix a number to. Alcohol is a major killer in this society. We estimate that 100,000 people a year die from alcohol abuse and alcoholism, representing the leading cause of death for those under the age of 44.

Although drug abuse, as you have mentioned, continues to be of major national concern, we have some good news to report. A recent high school survey suggests that what appeared in recent years to be a leveling off of the decline of drug use, has turned down again.

Mental health continues to be a serious concern. One in every five Americans had a diagnosable mental illness within the last 6 months.

AIDS is a concern that I think some do not realize belongs to ADAMHA, but in two very important regards and a third that we will mention it is a very important ADAMHA concern. One-quarter of all the people who have AIDS, and more in some States like New York, are people who slip needles into their arms and transmit the AIDS virus in that fashion.

What is not as well known is that in 20 percent of all the people who come in with a diagnosis of AIDS, their first presenting symptoms are within central nervous system—neurologic symptoms of delusion and dementia symptoms. For the mental health institute this is terribly important.

To address these problems, we are happy to report that we have a good return on your research money this year. In research you can never promise what you are going to get, but this year I think you bought a bunch. I will just touch on some of those.

In the AIDS area, in the National Institute of Mental Health, Candace Pert and collaborators were able to identify by a scan of the brain where the AIDS virus seems to attack the brain. Building on research that NIDA had funded in the seventies, where the opiate receptors were discovered and where blocking agents were discovered for them, Dr. Pert found with a peptide chain, a small protein, that in the laboratory may block entry of the AIDS virus into T-lymphocytes. We are hopeful that, as this research progresses, it may offer an additional therapeutic tool.

The National Institute on Drug Abuse has found antibodies to PCP. The clinical value of that, if it works out, is that for those who have overdoses we might have something that would block the overdose fairly quickly.

Later, I will ask Dr. Gordis to talk about alcohol and AIDS, but for now I will say that one of the promising things that NIAAA has found is that the brain damage that occurs in some people with alcohol, the amnesia or the memory loss seems to be reversed by a drug, fluoroxamine.

Two weeks ago in the newspaper for the first time a genetic marker, or a gene location, was discovered for manic depressive illness in some family lines which has great significance in terms of clinical outcome. A protein has been discovered that in some patients with Alzheimer's seems to be a marker of that illness.

So this has really been a good year with progress in Alzheimer's, AIDS, schizophrenia, and depression and a good use of the budget.

For fiscal year 1988 we are asking for a budget of a little over $1 billion. In addition, we are implementing the Anti-Drug Abuse Act of 1986 including the creation of a new Office of Substance Abuse Prevention. The request also includes an increase for the homeless reflected in an increase for the ADAMHA Community Support Program.

I want to thank you, Mr. Chairman, for the help that this committee has provided in the past and at this time I am ready to answer your questions.

ANTI-DRUG ACT

Senator CHILES. Thank you, Dr. Macdonald.

As you know, we did hold a hearing on January 29 and you are well acquainted with my concern with the administration's zero budget request for follow-on funding for the $262 million provided for your Agency by the 1987 Anti-Drug Act; $162 million of that total was for substance abuse or drug treatment grants for the States. Forty-five percent of the funds were to go out to the States on the basis of population, and 55 percent was to go out pursuant to a needs formula. By a statutory requirement these funds were to be distributed by the 27th of last month.

What is the status of the drug treatment grant funding and when will it be distributed?

Dr. MACDONALD. The 45-percent population-based funding has been moving along very rapidly with most of the States having received their allocations.

The 55 percent portion has been a slower process because we were asked to determine a needs formula, and at least one of the States had difficulty with the initial formula as we presented it and requested an extension of time, which we granted. The announcements or the messages to the Governors on applying will be going out today, and, if they do fast work, within 15 days they could be receiving that.

So we are a little behind schedule, but we think doing very well.

Senator CHILES. But States could be receiving their funds within the next 15days?

Dr. MACDONALD. The States could be receiving the 55 percent very quickly, and the 45 percent most of them already have.

Senator CHILES. What were the adjustments that you made in that formula to accommodate problems that were raised by Senator D'Amato and myself, among others?

Dr. MACDONALD. Well, I think the main concern that you both expressed was our use of four bases for determining the needs formula. You expressed objection to the fourth one of those, which dealt with how much money the State was spending or how much it cost within the State to receive drug treatment services. We reviewed this part and eliminated it completely.

CRACK COCAINE

Senator CHILES. Doctor, when you testified before the committee on January 29 we talked about crack cocaine research. A year ago Dr. Schuster testified that $7.5 million was being spent on cocaine research, but there was no research specifically focused on the special addictive problems of crack cocaine.

In January you told us that you were transferring your research effort as quickly as possible to study crack but that it takes time to get researchers geared up, but that you were doing everything possible to call attention to the availability of this money and to switch those research activities. Can you tell us now, and maybe Dr. Schuster can help, too, how much is being spent on crack cocaine research now?

Dr. MACDONALD. I will let Dr. Schuster give you this but I want to point out that we are as concerned about crack as you are. There are, however, problems in research. One of the problems he alluded to, that of shifting money quickly, is one that I think we are dealing well with. Another is the whole business of cocaine research subjects and finding appropriate people.

Whether it is in the form of cocaine or crack, cocaine is a very toxic drug to the heart and central nervous system, and, when you give human volunteers a drug that is potentially fatal, it requires special precautions. Not everybody can do cocaine research, so we are limited in that sense.

With smoked cocaine, which is what crack amounts to, you are dealing with laboratory animals that are not smokers and it is a difficult sort of experiment. You can force them, but in forcing animals to smoke you wonder, if they have brain effects, it is because they have held their breath and become anoxic.

But, in any case, Dr. Schuster, if you will comment on what you are doing.

Dr. SCHUSTER. In 1987 we plan to spend approximately $9 million on cocaine research. It is impossible for us to break out crack research versus cocaine research in general. However, what we have done in this area is to have a series of——

Senator CHILES. You better tell me first why that is impossible.

Dr. SCHUSTER. Well, for several reasons. First, grantees who receive moneys for cocaine research, when they recognize that a new problem exists regarding a different route of administration, will spontaneously change their laboratory protocol. We will only know about that after the progress reports come in and they say, well, we were initially funded to study intravenous cocaine; however, because of the crack epidemic we have decided to add to that additional groups who will be smoking this drug. We have many indications that this is being done. Grantees, for example, at Johns Hopkins University, who have been studying intravenous cocaine in volunteers are now gearing up for doing smoked cocaine. They are simply doing this because we would approve it, but it would be retroactive.

I would also like to emphasize that, although crack is of major importance, it is really smoked cocaine. Whether it is freebase or whether it is crack, once a drug like cocaine gets into the lungs it really does not matter whether it was prepared by freebase procedures or simply by precipitation and into the form of crack. Much of the evidence we have collected in the past year is on smoked cocaine, and, where possible, we are asking specific questions about crack.

Senator CHILES. Well, you mean that? You said it is on smoked cocaine, or do you mean not smoked?

Dr. SCHUSTER. A lot of the information we are collecting this year, which we had not been getting in the past, is on smoked cocaine. What I am referring to now, sir, is the fact that in both the high school senior survey, which is our principal survey that is used to determine prevalence and incidence rates of drug use amongst high school seniors, as well as our household survey and our DAWN system, we are specifically breaking out and looking at smoked cocaine.

So, for example, in June 1986, the high school senior survey was taken. This is the first time that we have broken out smoked cocaine as opposed to just cocaine in general. So we have now data which I would be happy to put into the record on the incidence and prevalence of smoked cocaine and, specifically, crack, where that is available, in high school seniors, amongst the general population from our household survey, and, from our DAWN data, the incidence of people appearing in medical emergency rooms who have smoked cocaine, which, incidentally is rising, as we would predict.

So our epidemiological data now, for the first time, is really becoming quite sensitive in regard to smoked cocaine.

In relationship to the funding of cocaine research in general, that this year we have already selected 18 grants for funding—these are new grants—in focusing on cocaine we have put out 16 new grant announcements from the National Institute on Drug Abuse, 8 of which were specifically related to cocaine. In response to these we have gotten, in the first two cycles of funding for 1987, 18 grants in the fundable range.

In addition, we have five contracts, because we do not want to take the chance that researchers are not going to come in with a grant in specific areas. So, for example, we are looking at the cardiotoxicity of cocaine, and we are looking at the possibility that it produces neuropathology, as do amphetamines, which are a related drug. We are looking at drug interactions, because it is very common that people take other drugs at the same time as they are taking cocaine, particularly marijuana.

There is a major emphasis and a major increase in our outreach to get researchers to do research in this area, as well as our allotment of dollars.

Senator CHILES. Are you in those proposals for grants and all that you are putting out, are you specifying in the RFP that you are looking for crack research?

Dr. SCHUSTER. We are looking for smoked cocaine research. We have specifically stated that, yes, sir. And in terms of treatment research we have also been attempting to influence people to do research in the area of trying to discriminate between those individuals who become crack users or become smokers of cocaine versus those who are the snorters of cocaine, looking at differences in a variety of variables there.

It is interesting to note, sir, that in our high school senior survey this year crack use, the demographics of crack users were very similar to cocaine users in general, with one exception, and that is that the prevalance of cocaine crack use amongst those who were going on to college was much less than those who were not, which is not true for other forms of cocaine.

Kids who were not planning on going to college were using crack at about two to three times the rate of those who planned to go to college, whereas cocaine by other routes we do not see this difference. So it is dropouts essentially who are using crack.

Senator CHILES. Well, on an overall basis the extramural drug research is proposed at $97,837,000 in 1988. That is a $22,883,000 or 19 percent decrease over 1987. Do you feel those kinds of decreases are justified?

Dr. SCHUSTER. Well, first of all, the funding is more complicated because of the fact that there are 34 grants which are slated for multiyear funding—that is, the moneys will be obligated for them for both 1987 and 1988. Therefore, some of the dollars which are obligated in 1987 will actually be supporting research that occurs in 1988.

Senator CHILES. Well, this is really an indication, a further indication, of your stretching out the dollars that we put in the 1987 act, is that right?

Dr. SCHUSTER. Well, we have been directed to do that.

Senator CHILES. You have been directed to do it.

Dr. MACDONALD. If you look at the NIDA budget since 1986, there is a 48-percent increase in the 1988 request, a major increase over that period of time. One of the things that will come up again in a number of issues today is the impact of this large amount of new money on continuation costs in subsequent years. The 1988 budget request still represents a significant increase over 1986.

Senator CHILES. We understand that. That is what we intended it to be, but you are not trying to tell me that we cannot use properly these funds or another 19 percent?

Dr. MACDONALD. The research applications that have come in have been better than we hoped, and there does indeed seem to be great interest in the field.

Senator CHILES. Senator Weicker?

PROTECTION AND ADVOCACY

Senator WEICKER. Thank you very much, Mr. Chairman. I want to commend the chairman for his interest in the drug area. Nobody has done more than he has to make sure that there is adequate funding.

About 2 or 3 years ago, I held hearings on the plight of the mentally ill in the institutions of this country. I take pride in those hearings in the sense that it was not the usual horror show that we presented and then everybody packed up their bags and went home. It was a horror show in what we learned; however, instead of packing up our bags and going home, we went ahead and acted legislatively to correct or to attempt to correct many of the abuses found.

One of those legislative acts last year was to pass protection and advocacy for the mentally ill, just as indeed the Congress had passed in previous years protection and advocacy for the mentally retarded. That bill passed both the House and the Senate and was signed into law by the President. Now I am not saying it is the end-all, but at least it is a start in making sure that these unfortunates have the protection of a society much stronger than they are.

I find in this budget an administration proposal to cut the Protection and Advocacy Program in 1987 and 1988 and to phase it out altogether over the next 3 years. Now the money that we are talking about in this budget is $10,500,000 appropriated in 1987—very frankly an inadequate sum at the time to cover all the institutions in this country. What is asked for now is $7 million, a cut of $3,500,000.

I understand you have a request that $3.5 million be reprogrammed out of the 1987 "Protection and advocacy" account in order to pay for pay raise costs of the Food and Drug Administration and St. Elizabeths Hospital.

I want to make one thing very clear, Dr. Macdonald. The power that I have, very frankly, is best used for those that have no power, and you guys can forget this reprogramming—and I mean in spades—and I think you ought to be ashamed. I am not talking about you personally. I am sure this might have been one of those matters that was directed by OMB.

How in God's name, having the clearcut record of abuse that exists, anybody in this administration could have proposed cutting this program is absolutely beyond me. I want an explanation from you, and if it was not you, fair enough, but I want an explanation from somebody. I am not worried about this occurring. It will not occur, and I can assure those families and friends of persons in the institutions that the program is fine.

But I want to know what brought about this piece of logic.

Dr. MACDONALD. I personally admire you tremendously for your stand on protection and advocacy. You and I met privately not long ago to talk about a very related issue and I do not think the question is any less of a concern now.

In effect, the Protection and Advocacy Program creates another categorical program——

Senator WEICKER. That is right.

Dr. MACDONALD [continuing]. In an administration that has looked to block grants and the States to provide these services. So, there is no question that these people who need extra help and protection should have it. The question is whether this is something that should be funded elsewhere. I have no argument with your principles.

SCHIZOPHRENIA RESEARCH

Senator WEICKER I am not here to get into an argument with you, because I know the enormous compassion and sensitivity that you hold for these and many other persons. But just send the message back. N-O, no. And indeed I am going to teach a lesson. This account is going to be raised. This account is going to be raised to where we can do the adequate policing job within the institutions of this country to make sure that these persons are not abused.

I read just the other day—in one of the institutions as a matter of fact that my subcommittee visited—the State Senator—I think it was New Jersey—had worked as an attendant in one of the very institutions that we had visited 2 or 3 years ago as part of my investigation. He was absolutely appalled by what existed. This requires constant monitoring.

And you are going to have to pick up the savings somewhere else, because it is not going to occur there, and that is that.

As you know, we held hearings last November on a variety of issues related to schizophrenia. One message that came through loud and clear at that hearing is that we are not spending enough on schizophrenia research. I know Senator Domenici has had this as one of his primary objectives. How much did NIMH spend on schizophrenia research last year? How much will be spent this year and how much are we requesting in 1988?

Dr. MACDONALD. I think I will defer to Dr. Sullivan.

Dr. SULLIVAN. In 1987, Senator, we increased the funds to be allocated for schizophrenia research by $7 million, up to approximately $30 million, and our 1988 request includes funding at about the same level.

Senator WEICKER. Will you need additional funds to implement any of the proposals included in your national plan for research on schizophrenia?

Dr. SULLIVAN. I think it would be easier to answer that question after the work on the plan has been completed, and we hope that will be done by October 1987.

Senator WEICKER. How can you increase your efforts in schizophrenia research when you are proposing to cut the mental health research budget?

Dr. SULLIVAN. In this year our overall budget is slated for a decline of about 4.7 percent. We are basically within that budget seeking to hold the line of schizophrenia research and are hoping to capitalize on the $7 million investment that we are making this year and continue to galvanize interest by the national plan process.

Senator WEICKER. What projects will be cut to go ahead and hold the line for schizophrenia?

Dr. SULLIVAN. Virtually the other areas of the NIMH budget will be taking a slightly more proportionate share of the cut.

Dr. MACDONALD. Schizophrenia, as you and Dr. Sullivan both agree, is a major national concern. The reorganization of NIMH, which occurred last year, was brought about largely because of our understanding that we need to increase emphasis on major mental illness. The plan to which Dr. Sullivan refers is also directed at trying to increase our emphasis on schizophrenia.

NIMH PROGRAM CUTS

Senator WEICKER. Well, I will tell you what is cut, just so we make it a matter of record. Majority counsel points out to me that basic studies in brain and behavior is cut. Depression and manic depressive illness is cut. Mental disorders for the aging is cut. Childhood disorders is cut. Anxiety disorders are cut. Behavioral medicine and stress are cut. Epidemiology is cut. Prevention is cut. Biometric and clinical applications are cut. Antisocial violent behavior is cut. Minority research resources is cut. AIDS is increased.

I mean, what is going on around here? Nobody expected schizophrenia to be raised at the expense of other areas of research. This is no different than the business with AIDS that I discussed yesterday with Dr. Windom, where the administration goes around beating its chest about giving $100 million more for AIDS, while we are cutting the basic biomedical research budget $300 million.

Now you are all men of science and medicine, and you know that this is chicanery. That is not science. And the same holds true here. I admit to the fact that you cannot be responsible for a total reordering of our national priorities. That is a matter as much for the Congress and the President as it is any of you gentlemen—much more so. But within your own budgets now I hope you would speak up for a matter like this.

Dr. MACDONALD. Senator, we are in a situation where budgets are obviously tight, and what we must do is prioritize and say which parts within our budget we think are most likely to be scientifically productive and which parts are most nationally relevant.

What we have spoken for here is our great concern for schizophrenia. Within limited dollars if we had raised everything else and raised schizophrenia along with it, we would not have made a judgment. Our judgment is clear here. It is based on science and not politics. We believe schizophrenia needs more attention.

Senator WEICKER. Nobody will argue that.

Dr. MACDONALD. And that is what we have said here.

Senator WEICKER. I am not arguing that point.

Dr. MACDONALD. How better to say it than this.

DRUG INITIATIVE

Senator WEICKER. I mean, you know, I was the one that called the hearing. My neighbor in Greenwich, Trish Scott, was here eloquently articulating the cause. But when I go back to Greenwich now, I am sure I have neighbors that have kids with disorders and elderly disorders, et cetera. What am I going to say to them? You have to find yourself a famous personality to come up here and testify and then you will do all right in the budget next year?

I mean, I am sorry, I have seen this occur across the boards, and I think it is shameful.

On the drug initiative, last year we discussed the matter that I thought increased attention should be given to research on the neuronal receptors. Where do we sit on that?

Dr. MACDONALD. I think I will ask Dr. Schuster to comment on that.

Dr. SCHUSTER. Well, one of the things that I would like to say is that in this last year NIDA grantees have succeeded in isolating an active opiate receptor called the MV receptor. That is the one that we are very interested in because we believe it is the dependence-producing receptor. Opiates have many actions in the body and affect different receptors. The MV receptor is where the action is for NIDA.

Dr. MACDONALD. I think it is interesting the different kinds of opiate receptors there are and what importance that may have in pain management.

Dr. SCHUSTER. Well, the MV receptor is a receptor that exists in a variety of places in the body. It is responsible for analgesia. It is also responsible for physical dependence and, for susceptible people, to the dependence-producing properties, the psychological dependence-producing properties.

There are, however, other opiate receptors which will produce analgesia, and we are now at the point where we can develop drugs which will produce analgesia but not produce, to not act on the MV receptors and, therefore, produce the dependence. We are gradually disassociating the ability to produce analgesia from dependence, and I would say that probably within the next 5 years we will have drugs of that sort. It is a major breakthrough.

If I can go back to the receptor, the isolation of an active MV receptor allows us to get at its genetic code. Once that is gotten at, it will be possible to determine whether or not individuals who seem to be more susceptible to dependence upon opiates may have some defect in their genetic mechanism and, therefore, this might be the explanation for their susceptibility.

You can also say that in relationship to cocaine we are looking at dopamine receptors in the brain, and it turns out that cocaine's actions are specifically on one type of dopamine receptor. It may be possible for us to develop drugs which block that receptor and, therefore, block the effects of cocaine without producing some of the other effects which we would not want to produce by simply blocking all dopamine receptors.

So I think we have made great strides in both studies of opiate receptors as well as studies of cocaine receptors.

Dr. MACDONALD. There are spinoffs from the receptor research. I mentioned earlier the breakthrough in AIDS receptors which came out of the opiate research. Dr. Schuster mentioned the dopamine receptor.

In schizophrenia this year we discovered that some people with schizophrenia or schizophrenia potential have an increased number of dopamine receptors. That is, before they have been treated. So, indeed, there is an organic difference. So that from NIDA research funds that were spent a few years ago is coming all of this important payoff.

PROTECTION AND ADVOCACY

Senator WEICKER. I have further questions for response to the record, but I just want to clarify one perception that might have been left here by our dialog.

On the protection and advocacy nobody set up a new Federal bureaucracy. I am afraid in your comments to me the impression might have been left that we were going to have some new Federal people do this job. In fact, this job was to be done by the existing structure of protection and advocacy for the mentally retarded at the State level—the same person.

In Connecticut, Elliott Dober, was to go ahead and take on the additional duties of protection and advocacy for the mentally ill. So we are not talking about any new personnel or any new bureaucracy. We are merely extending the protection of the advocate, if you will, to the mentally ill. That was all that was involved, and I want the record to so show. As you well know, there is nobody I have to question here as to what you did this year in protection and advocacy because you fellows do not have to do anything.

The money does go to the States. It is all within line, in other words, of the administration philosophy.

Dr. MACDONALD. You are very correct, Senator.

Senator WEICKER. But I think now that we have got it clear, as I said before, you better find the money both for St. Elizabeths and the Food and Drug Administration from some other source.

Does the chairman have additional questions? I understand there are several questions to be asked by the chairman and Senator Domenici. Let me just see here. I always have questions.

ALCOHOL AND AIDS

Dr. MACDONALD. If you have a minute, let me ask Dr. Gordis to comment on alcohol and AIDS, if you will.

Senator WEICKER. I would like to hear about that. Thank you very much. Dr. Gordis.

Dr. GORDIS. Just as a basis for understanding what the possible questions are that relate alcohol to AIDS, we should say that the development of AIDS involves first exposure to the virus and then the successful lodging of the virus in the body, which makes the person sero-positive, though still asymptomatic, and there is a ladder of severity where the person then moves up to the so-called AIDS-related complex, and then finally to full-blown AIDS.

The issue that arises in relation to alcohol is whether alcohol plays any role in any of these steps. Alcohol is a relatively late arrival to the AIDS scene compared to the issues of sexual behavior and intravenous drug use, but there is reason to believe that alcohol has a role and the research on this issue is just beginning.

As far as the exposure to the virus, of course, we are talking about the effects of drinking on sexual behavior and the poor judgment that may be involved as a result. As we move up the ladder to the persistence of infection and the conversion to increasingly severe forms of the disease, then we are talking about the relation of alcohol to the immune system.

Now it is clear from work over many years that in relation to bacterial infections and the body's resistance to them alcohol has a profound effect—first the clinical evidence on diseases like turberculosis and pnemonia and many other things—but the issue on viral infections has been less clear. But based on work during the last couple of years it now appears that alcohol, in the laboratory setting at least, has potent effects on the ability of the immune system to respond to an antigenic stimulus from the AIDS virus and perhaps from others.

There are defects in T-cell function and lymphocyte function which are produced by alcohol. And our job now, is to find, through long-term clinical studies, the locus of this defect in lymphocyte metabolism and what the role of alcohol may be. In order to accomplish this several efforts are being proposed.

One is the establishment of a center on immunology whose major focus, of course, would be related to the AIDS virus infections. In addition, we have grant announcements on the AIDS and alcohol as a cofactor. We will continue to support intramural research which has been in the forefront of developing the evidence involving alcohol and lymphocyte functions, and also provide publications relating to AIDS itself to various alcoholism treatment programs.

One thing we are doing in addition is developing an interagency agreement with CDC on a longitudinal study which will follow patients from the sero-positive to asymptomatic stage on to the later stages of infection to see what role alcohol has played along with other factors in developing these more severe conditions.

Senator CHILES. Last year the committee directed the National Institute of Mental Health to expand its programs for mental health and psychopathology of the elderly with a focus on the development of improved treatments for dementias, especially Alzheimer's disease.

This year $18,846,000 is being spent on these problems, with one-half of that total focused on Alzheimer's, and for 1988 there is $17,543,000 proposed, or a 7-percent reduction. On an overall basis the Public Health Service is going to spend about $69.7 million on Alzheimer's and has requested $69.4 million in 1988. That is a slight reduction.

In view of our aging population, why are we proposing to spend less on mental disorders of the aging?

Dr. MACDONALD. We have made difficult choices within tight budget times. Senator Weicker was concerned about schizophrenia and spoke of it. In comments to him we replied that schizophrenia is perhaps our major priority. We put that higher than anything else.

Going back to the 1986 budget and the tremendous increase we received in 1987, mental disorders of the aging at ADAMHA still shows a significant increase over what we previously were doing.

HOMELESS MENTALLY ILL

Senator CHILES. Well, as you know, Congress is considering legislation to provide emergency services to the homeless. One of the components being discussed is services to the chronically mentally ill. What proportion of the homeless do you estimate have mental problems, especially chronic problems, and what can be done to help these people?

Dr. MACDONALD. The homeless is a diverse population and we do not have as good a fix on it as we would like. But a variety of studies show that about one-third of the population is estimated to have chronic serious mental illness, while another one-third is estimated to have serious alcohol or other drug problems. There is some overlay so adding them together does not come to 66 percent but to something over 50 percent.

Senator CHILES. Well, do we know what kind of services would enable some of these to get back on an even keel, and even handle jobs?

Dr. MACDONALD. This is not just a health question. There are also issues of housing, retraining, feeding, and clothing that we cannot comment on. But as far as medical services and mental health services are concerned, outreach is important, case management is important and followup is important.

Senator CHILES. Well, do we have a service delivery right now that is adequate to handle that?

Dr. MACDONALD. The service delivery varies from place to place. As you know, it is the function of ADAMHA to administer the block grant. Approximately $500 million a year goes to the States services, with about one-half of that going for mental health services.

ST. ELIZABETHS HOSPITAL TRANSFER

Senator CHILES. The committee has received—this is St. Elizabeths Hospital—has received your request for $68,312,000. When will funding and responsibility for the hospital be turned over to the D.C. city government?

Dr. MACDONALD. The law calls for and our plan will be to transfer on October 1, 1987. The hospital transfer process is going very well and, as far as we are concerned, we will meet the target date.

Let me introduce some new people. Dr. Prescott is the Superintendent of St. Elizabeths Hospital. Next to him is Wilford Forbush, who is Deputy Assistant Secretary for Health Operations and has been actively involved with the transfer. And next to him is Mr. James Pittman, who is Associate Director for St. Elizabeths transition activities in NIMH.

Senator CHILES. So this will be the last specific budget request?

Dr. MACDONALD. This will be the final request presented by ADAMHA; however, some SEH functions will be retained by the Federal Government. NIMH has part of its intramural program there, and will continue to manage that. There is also a Cuban refugees program there that will stay a Federal program.

Mr. FORBUSH. I might mention too that there is a declining Federal subsidy that phases out over 5 years under the act that authorizes it.

Senator CHILES. Dr. Prescott, is the D.C. city government ready and up to the task of taking over St. Elizabeths?

Dr. PRESCOTT. Yes, sir; I think so. We have worked very hard over the last 2½ years to develop a serious and comprehensive plan with the District of Columbia to shift the base of operations from what is now primarily in-patient care to a true community-based system, and that plan is in the early phases of implementation at this time. We believe that the plan provides a strong and philosophical, structural, and organizational base for the required new system. The success of the new system undoubtedly requires effective execution in order to achieve the legislative intent of an integrated public mental health service system for District residents.

The District of Columbia has selected a new commissioner-designate for a new Commission on Mental Health. This is the first one that they have had. And the talent that they are selecting to staff up this new commission is impressive. Some of that staff, as a matter of fact, are coming from some of our very talented people at St. Elizabeths Hospital. The funding that the District has agreed to put into the new system is, in fact, comprehensive and should do the job, and we are all highly hopeful, in fact, we believe that they can do this and do it well.

Senator CHILES. I hope you are right.

Senator DOMENICI. We missed you for breakfast this morning. I told them that you and I are normally in accord on budget matters.

SERIOUS MENTAL ILLNESS

Senator CHILES. Good. I knew you would cover.

Senator DOMENICI. Mr. Chairman, first let me apologize for being a bit late. I do not want to cover ground that has already been covered, but could I just for the record talk a bit about serious mental illness.

First, Dr. Macdonald, I think you are aware of the concern that some of us have about the Nation's commitment to basic research on serious mental illnesses. I understand Dr. Frazier is no longer with NIMH, and you are his successor. Are you official or acting?

Dr. SULLIVAN. I am acting.

Senator DOMENICI. How long before you are official?

Dr. MACDONALD. We are in the process of doing a search now. The deadline for applications is next week.

Senator DOMENICI. Let me just share for the record a conversation that I had very recently with Dr. Frazier, because it was rather exhilarating for me. I think we all know of his great interest in, and enthusiasm for research on schizophrenia and for basic research into other serious mental illnesses.

He returned to his deanship at Harvard, but before he did he made a tour of the country, and the report that I got on two fronts was very exciting to me. First of all, he said that we are doing a very good job of getting schizophrenia out from under the table and on top of the agenda. Schizophrenia is being spoken of just like any other illness, and an awful lot of the medical people in the country doing research are beginning to speak of serious mental illness, and schizophrenia in particular, with some enthusiasm. People are interested in addressing the disease and researchers want to be involved in trying to solve the puzzle of the illness.

I think that is rather exciting. Second, he reported that by raising the level of funding for this research for the last couple of years, and by the record of interest that we are establishing, there is a serious attitude about getting on with some real research.

Third, and by no way last on this list, just a third point to talk about, is that everybody in the mental illness area should know that there is a growing, growing body of Americans who want to help us solve this problem. Various groups of Americans affected by mental illness have joined together and are growing by leaps and bounds. They are pulling themselves together to be helpful to each other. But they also have a commitment to see that we get on with funding the NIMH programs and do what we must as a Nation to overcome these serious illnesses.

So in times of difficult budgets I do not want everyone to think things are so bleak. I think we have a tendency in the United States that where the wheel squeaks, it does get some oil. It appears to me that for serious mental illness—for research and for future solutions—

we are at that point. The wheel is squeaking more loudly all the time, and I think that is good news.

As I understand it, a decision has been made for a task force to attempt to concentrate more heavily on schizophrenia. That is your own task force. Do I understand that it has not yet made a recommendation for a full-blown program, and what the estimated costs of that program might be? Is that the previous testimony before I arrived?

Dr. SULLIVAN. Yes; I could comment on the status of the national plan for research on schizophrenia. In order to bolster scientific interest in the field and to help NIMH to find the areas of most promising research in the schizophrenia area we are assembling six panels that will look at significant areas in the field.

Those areas are going to be imaging and tissue resources; genetics, virology, and immunology; clinical phenomenology; basic bahavioral sciences; neurochemistry; and treatment research. In addition, a seventh panel is going to look at overall resource needs for the field—manpower, equipment, concentrations of scientists, and other tools that would facilitate the scientific enterprise.

We have found, as you indicated, that in putting together the panels for the national plan the degree of interest among the scientific community is very high. One of our indicators of that interest is whether the very best people in the country are willing to serve on a group like this, and I am pleased to report that we have been getting an excellent response from the scientific community.

The national plan is scheduled to be completed in October 1987, but in the meantime we are working on a number of initiatives in order to stimulate interest in the field, such as expanding our support for brain banks and tissue resource capacity, so that scientists in the field will have access to well-diagnosed samples of patients.

Senator DOMENICI. So this year's budget does not include any significant funding for such an initiative because that plan is not ready yet; is that correct?

Dr. SULLIVAN. We are planning to undertake a number of initiatives in 1987 and 1988, mainly to be capitalizing on the increase we devoted to the area of schizophrenia in 1987, to continue that forward into 1988.

Senator DOMENICI. But the overall budget now, moving from something as specific and as concentrated as schizophrenia to the overall budget for ADAMHA for 1988, it is below the appropriated level for 1987; is that not correct?

Dr. MACDONALD. Yes, sir; but there was a tremendous increase that occurred between 1986 and 1987 and the continuation costs are huge. What we are trying to do is sustain an increase and take that large blip into account.

Senator DOMENICI. Did a substantial portion of that blip come by way of the drug initiative?

Dr. MACDONALD. The drug initiative was $262 million. So that is a big part of it.

Senator DOMENICI. How much was the drug initiative?

Dr. MACDONALD. $262 million, which accounts for most of it.

Senator DOMENICI. I gather you have already submitted to the committee how you intend to go from $342 million to $321 million for NIMH, and what will be maintained and what will not be. I guess we have already got that; is that correct?

Dr. MACDONALD. Yes, sir.

Senator DOMENICI. Let me just say in closing, that everybody around this table has interests. ADAMHA has interests that are not merely schizophrenic research or manic depression research. I do not want anyone to think that this Senator wants to up the ante on schizophrenic research to the detriment of other good programs. As a matter of fact, I am trying my best to figure some way that that does not happen, that if we are going to increase schizophrenia research, it is not at the expense of other NIMH research efforts that are clearly needed.

I am not so sure how that can be done, but quite clearly I will try my very best to increase the research emphasis on schizophrenia in such a way that it does not detract from the other NIMH research that I know is very important.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

It is my understanding that this concludes questions for this panel. The chairman indicated that he would be detained for a couple of minutes. I understand there is nothing further for this panel. There will be some additional questions which we will submit to you for your response in the record. You are excused, and we will be in recess for about 5 minutes.

[A brief recess was taken.]

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

ANTI-DRUG ACT

Question. Dr. Macdonald, we had a hearing on January 29 and you are well acquainted with my concern with the Administrator's zero budget request for follow on funding for $262 million provided to your agency by the 1987 Anti Drug Act. $162 million of that total was for substance abuse or drug treatment grants for the states. 45% of the funds were to go out to the States on the basis of population and 55% was to go out pursuant to a needs formula. By a statutory requirement these funds were to be distributed by the 27th of last month. What is the status of the drug treatment grant funding? When will it all be distributed?

Answer. On November 24, 1986, States were notified of the availability of the 45 percent portion of the Alcohol and Drug Abuse Treatment and Rehabilitation (ADTR) Block Grant. As of March 27, 1987, 54 applications have been received and awards have been issued to 45 States. Five applications are currently in review and two are pending award. On January 20, I wrote to the Governor of each State transmitting the proposed formula for the 55 percent need-based monies. After granting an extended period for State comments, ADAMHA is in the final stages of reviewing State recommendations and will announce a final decision soon. On March 4, I transmitted to all States the approved application requirements and guidelines for the 55 percent monies. We plan to review these applications within two weeks of their submission by the State, permitting awards to be made at the earliest possible date.

DRUG TREATMENT ALLOCATION FORMULA

Question. At our January 29 hearing he had a long discussion about the needs formula you had proposed which would distribute the funds based on the population between 14 and 44 and the number f admissions to drug treatment facilities weighted inversely for State expenditures in the area of drug treatment. The major problem with that formula as proposed was that it seemed to penalize State effort, but also it disregarded the huge backlogs of people waiting for admission, counting only those who have been admitted. What adjustments did you make to the needs formula to accommodate the problem raised by Senator D'Amato and myself?

Answer. A small number of States, including New York, urged that the formula be revised to add a variety of new data elements. These States believed that the new elements such as waiting lists, numbers of AIDS IV drug users, cocaine "admissions," numbers of hotline calls, and "drug" arrests, would more accurately reflect the need for alcohol and drug abuse services in their State. While each of these factors are potential indicators of "need" within a State, and were, in fact, considered as the formula was developed, no national source of these data employing common definitions or measures are known to exist. We have concluded, therefore, that the proposed formula employs the most accurate and equitable data available for this purpose, and that the use of this formula is consistent with the predominant congressional intent.

A number of States also expressed concern with use of the inverse of State funding for alcohol and drug abuse treatment as a measure of the State's "ability" to provide services. In order to neither penalize nor reward States that have committed relatively more funds to the treatment of alcohol and drug abuse in the past, ADAMHA has decided to eliminate the State funding variable from the formula. The net effect of this change is minimal, with the change in the distribution of funds being less than 1 percent in any State.

CRACK

Question. Dr. Macdonald, when you testified before the Committee on January 29, we talked about crack cocaine research. A year ago Dr. Schuster had testified that $7.5 million was being spent on cocaine research, but ther was no research specifically focused on the special addictive problem of crack cocaine. In January you told us that "we are transferring our research effort as quickly as possible to study crack", but that it "takes time to get researchers geared up" an that you "are doing everything that we possibly can to call attention to the availability of this money...to switch to these research activities." How much is being spent on crack cocaine research?

Answer. In FY 1986 we spent $4.5 million on cocaine research. This year, we expect to spend approximately $9 million and about $9.5 million in FY 1988. Crack is a crystalline form of cocaine which releases cocaine freebase when smoked. Its mode of action and effects are, therefore, no different than other forms of smoked cocaine. As a result, virtually all of our research on cocaine is directly relevant to crack. We are, however, placing increasing emphasis on studies of smoked cocaine and expect additional progress in this area.

Question. Do you agree with assessments about addiction to crack needing a far longer treatment period and more attention to de-toxification of the drug? Obviously, such treatment will cost far more to provide.

Answer. There is no current evidence that crack users need a longer treatment period and more attention to de-toxification than other cocaine users. The little data now available do not differ for cocaine snorters or crack (cocaine free-base) smokers. There also is no evidence that the withdrawal syndrome differs because of route of administration. Withdrawal appears more determined by dose, frequency of use and chronicity of usage than route of use. However, smoked free-base cocaine does produce a more intense, albeit briefer effect and is a stronger reinforcer than snorted cocaine. As more data are accumulated, it might be found that crack is more difficult to treat than other forms of cocaine. Indeed, it is known that crack can produce more compulsive use with cycles of intake followed by a period of withdrawal preceding another "run." This pattern of use usually requires more intensive intervention to contain the behavior and remove the user from access to the drug. This process frequently requires hospitalization to completely interrupt the cycle.

NIDA RESEARCH

Question. On an overall basis extramural drug abuse research is proposed for $97,836,000 in 1988, a $22,883,000 or 19% decrease over 1987. Do you really feel such decreases are justified?

Answer. We are not proposing to decrease the extramural research budget for NIDA in FY 1988. The difference between FY 1987 and FY 1988 budget levels is almost entirely the funding for the Substance Abuse initiative. These funds have been included in FY 1987 only and will be used to multi-year fund projects through the end of FY 1988.

DRUG ABUSE TREATMENT

Question. Dr. Macdonald, there is an element under the Treatment and Rehabilitation section of the Anti Drug Abuse Act that I think is crucial to our ability to provide effective treatment to addicts. I'm referring to the mandate for ADAMHA to develop and evaluate effective forms of alcohol and drug abuse treatment. Could you tell us about ADAMHA's role in this development and the status of this evaluation?

Answer. I have been meeting with Dr. Schuster, Director of the National Institute on Drug Abuse, and Dr. Gordis, Director of the National Institute on Alcohol Abuse and Alcoholism regarding the use of these funds. As a result of these discussions, we are planning to use these funds to study the efficacy and cost effectiveness of various therapies and a variety of settings. To do this we will issue a special grants announcement and initiate an expedited grants review process.

We also are planning to meet with representatives of various treatment organizations and with treatment providers to begin a dialogue about how these research projects can most effectively be conducted.

Question. It is my understanding that this evaluation will include descriptions of various kinds of treatment for specific forms of addiction. Are methods of treatment for crack addiction going to be included in this evaluation?

Answer. Treatment strategies for cocaine will be included in this evaluation.

Question. Your budget justification noted the need for additional research to test a number of psychotherapies and behavior therapies that have been developed for drug abuse treatment. A number of these therapies are currently being used, but have not been adequately tested in vigorous trials. Please describe for the subcommittee these new treatments. Is funding included to more adequately test these new treatment methods?

Answer. The following are examples of new psychotherapies and behavioral therapies developed for drug abuse treatment which are now starting to be tested.

The usual or standard treatment technique employed in drug abuse treatment programs is drug counseling. This treatment focuses on identifying specific needs and delivering concrete services. Its major focus is on providing external services rather than dealing with psychological processes. Counselors monitor progress by reviewing urinalysis reports and vocational situations. They provide liaison services with physicians, courts, and social agencies or they help implement program rules and policies. A typical counseling situation might begin when a counselor meets with a patient, reviews the clinic chart, and observes that the urine tests show evidence of opiate use. He questions the patient regarding what has been happening and how he is feeling. The patient says his methadone dose is not yet high enough, that he is having withdrawal symptoms beginning late in the day, and consequently that he has been using heroin. The counselor then arranges for the patient to meet with a program physician, who evaluates need for an increase in methadone dose. At the same time, the patient mentions that he has court appearance in two weeks and requests a note for the judge saying that he is participating in a treatment program. The counselor has the patient sign a release of information statement, prepares a note, and then gives it to the patient to take to his lawyer.

The following are individually focused, short-term outpatient treatments generally lasting three to six months which have been standardized and intervention manuals exist.

Supportive-Expressive Therapy - This treatment is an analytically oriented focal psychotherapy modeled after that described by Malan and Sifneos and after a form of therapy used for many years at the Menninger Foundation, Topeka, Kansas. The two main techniques are supportive and expressive, as the name implies. The focus of the expressive aspect of the treatment is on increasing the patient's understanding the stress that precipitated and maintain drug abuse and conflicts that occur in relationships with others. The expressive techniques aim to help the patient identify and work through problematic relationship themes such as those with his parents, wife, or other family members. If the therapist is successful, treatment should help the patient address his problems more directly, and thus increase the likelihood of finding better solutions to life problems than using drugs.

Cognitive-Behavioral Therapy - This treatment is an active, directive, time-limited system of psychotherapy that focuses on uncovering and understanding the relationship between thoughts, belief, and underlying assumptions on problematic feelings and behaviors. The therapy, developed by Aaron T. Beck has been shown to be effective for treating certain kinds of depression, and is now being extended to the treatment of drug dependence.

Interpersonal Psychotherapy (IPT) - This approach, which was devised originally by Klerman and associates and was shown to be efficacious in the treatment of depression has been adapted for cocaine abusers. IPT has also been adapted for use with methadone maintained opiate addicts. IPT is based on the concept that psychiatric disorders, including depression and cocaine abuse, are intimately related to disturbances in interpersonal functioning which may be associated with the genesis or perpetuation of the disorder. The goals of IPT include both the cessation of cocaine use as well as the development of more productive strategies for dealing with social and interpersonal problems associated with the onset and perpetuation of cocaine use.

Relapse Prevention - This approach, first developed by Marlatt and colleagues for the treatment of alcoholics, has recently been adapted for the treatment of cocaine abusers. Marlatt´s theory extends cognitive-behavioral theories of drug abuse to address the significant clinical problem of relapse to substance use following treatment. While attempting to maintain drug abstinence, the individual may be confronted at any time with a number of high-risk situations likely to precipitate a relapse. These high-risk situations are discriminative cues for reinforced responding and can elicit craving. When confronted with such a situation, the individual is taught to execute an effective coping response (e.g., leaving the situation, repeating supportive self-statements), to prevent relapse from occurring. Each time a high-risk situation is successfully negotiated, self-efficacy will increase, making future relapses less likely.

DRUG EDUCATION

Question. Could you update me on OSAP´s development of education materials on drug abuse?

Answer. The following publications have been proposed and approved for funding:

Prevention Evaluation Workbook
Prevention Networks (2 issues) Youth Programs and Primary Health Care Professionals

Peer Resistance Exercises: A Resource for Teachers

Developing Occupational Drug Abuse Programs (revision and update)
Booklet on Cocaine and Other Drugs for Significant Others
Women and Babies
Marijuana leaflet (revision)
Stimulants leaflet (revision) also new separate flyer on cocaine and crack
Cocaine Addiction--It Costs Too Much (revision; more on crack)
AIDS and the IV Drug Abuser: A Training Program in Education, Risk Assessment and Treatment Planning for Drug Abuse Counselors
AIDS and the IV Drug Abuser: A Training Program for Administrators of Drug Abuse Treatment Programs
Current Issues in the Treatment of Chemically Dependent Women
Drug Abuse Among Ethnic Minority Populations
Drug Abuse and Adolescent Pregnancy and Parenthood

Question. What is the status of specific materials on crack cocaine?

Answer. NIDA has initiated, and the new Office for Substance Abuse Prevention will continue to administer, a campaign entitled "Cocaine-The Big Lie." This campaign includes public service announcements featuring individuals who have used cocaine and now speak strongly against its use. In addition, information materials have been developed for distribution, including the following:

"Cocaine Addiction - It Costs Too Much" (English and Spanish)
"Cocaine Use in America"
"Cocaine Abuse" (A Fact Sheet)

Materials specific to crack include the following:

"Cocaine/Crack - The Big Lie"
"Cocaine Free Base"

Question. Has NIDA been working with the Department of Education on information mandated in the continuing resolution?

Answer. OSAP is now entering into an interagency agreement with the Department of Education to provide educational and outreach materials on substance abuse prevention.

DRUG ABUSE AND CHILDREN

Question. I've read about research which associates stress in children with drug abuse - and that an effective defense against such abuse should be directed at identifying and reducing this stress in children. Does NIDA support any such research or treatment programs?

Answer. The National Institute on Drug Abuse supports prevention and treatment research on stress as one of the factors affecting drug abuse.

Question. Do you support any drug research or treatment specifically directed at children?

Answer. Although stress in children has been associated with drug abuse, it becomes manifest in relation to other personal, familial, social and environmental factors ranging from psychopathology to peer pressure and pressure to perform academically or beyond one's level of ability. Research to identify early risk factors, including developmental and biologic vulnerabilities which influence the child's capacity and ways of coping with stress, form the basis for intervention research to develop strategies to help children and youth manage stress and develop coping strategies and decision-making abilities when under stress. Stress management and decision-making competence are components in family life skills training (e.g., early intervention which is frequently in a treatment mode involving the family), social skills development programs (e.g., social and cognitive development interventions in school and community settings), and preventive interventions directed toward identifying and meeting the special needs of high risk children and youth to prevent drug abuse. NIDA does not currently support any projects limited to stress and stress management because research indicates a more complex etiology for drug abuse; also, more comprehensive intervention approaches appear to be more effective.

Drug abuse prevention research, which previously focused primarily on adolescents in junior and senior high school, is turning attention to younger age groups and predisposing risk factors in early childhood.

Question. If so, is such information shared with the department of education or the schools?

Technical assistance is provided to other Federal agencies, including the Department of Education. Program reports and research monographs which summarize state of the art are distributed to governmental, scientific, and service communities. Recent publications include:

Etiology of Drug Abuse: Implications for Prevention (C. Jones and R. Battjes, Eds.), NIDA Research Monograph No. 56, 1985.

Prevention Research: Deterring Drug Abuse among Children and Adolescents (C. Bell and R. Battjes, Eds.), NIDA Research Monograph No. 63, 1985.

Family Life Skills Training in Drug Abuse Prevention (M. Rose, R. Battjes, and C. Leukefeld, Eds.), NIDA Monograph, 1984.

Jones, C.L., and C.S. Bell-Bolek, "Kids and Drugs: When, Why and What We Can Do about It?" Children Today, DHHS Office of Human Development Services, May/June, 1986. (Reprinted in three anthologies for classroom use, 1987).

PROBLEMS OF RELAPSE

Question. Dr. Macdonald, I noticed a concern expressed in your budget justification (p. 89) that one of the major concerns in drug abuse treatment is relapse and that the greatest threat of relapse occurs during the 90 day period following initial treatment. You justification goes on to note the potential benefits of relapse prevention programs including frequent follow-up contacts with patients in the three months immediately after initial treatment. What is included in your budget to initiate relapse prevention programs?

Answer. We anticipate that some of the applications to be received under the new demonstration grant program focusing on high-risk youth and early intervention, will propose relapse prevention programs. In addition, we will ensure that other programs such as the National Clearinghouse for Alcohol and Drug Information and various community assistance programs will also provide information and technical assistance to individuals and organizations setting up prevention programs.

OFFICE FOR SUBSTANCE ABUSE PREVENTION

Question. The Office of Substance Abuse Prevention created by the Anti Drug Act of 1987 is funded at $52,569,000 in 1987, but proposed for only $11,264,000 in 1988. This year $20 million is available for demonstration projects with high risk youth, and additional funding for school initiatives and other activities.

Concerns have been raised that programs have been slow in setting up the office. When will OSAP be up and running?

Answer. OSAP began operations in November 1986, immediately after the signing of the Anti-Drug Abuse Act of 1986 by President Reagan on October 27. Its first task was to develop preliminary implementation plans. These plans were subsequently presented to over 150 experts from around the country at a national conference held last December. OSAP has since finalized decisions on major grant and contract programs and is currently awaiting procurement actions on the proposed contracts and applications in response to the High Risk Youth Demonstration Grant Announcement.

Question. When will the high-risk youth demonstration projects be awarded?

Answer. A grant announcement, focusing primarily on the high-risk youth grant program, was approved March 5 and distributed to more than 4,000 individuals and organizations. Review groups comprised of independent qualified are now being established to provide high-quality, balanced reviews of applications received. The review process will begin in July 1987; we expect to make grant awards in September, 1987.

MENTAL HEALTH PROGRAMS FOR ELDERLY

Question. Last year the committee directed the National Institute for Mental Health to expand its programs for the mental health and psychopathology of the elderly with a focus on the development of improved treatments for dementias especially Alzheimer´s Disease. This year $18,846,000 is being spent on these problems with half the total focused on Alzheimer´s. For 1988 $17,543,000 is proposed or a 7% reduction. On an overall basis, the Public Health Service will spend $69.7 million on Alzheimer´s in 1987 and has requested $69.4 million in 1988. In view of our aging population why are you proposing to spend less on the mental disorders of the aging?

Answer. While there is a small decrease in support from FY 1987 to FY 1988 for research on mental disorders of the aging, both years represent significant increases from the research supported in 1986. The level proposed for FY 1988 still provides an opportunity for awards of new and competing grants of the highest quality.

FREE NEEDLES

Question. $54,417,000 is requested for AIDS research with funding for each of the three institutes: $15,464,000 for the Institute for Mental Health; $35,162,000 for the Institute for Drug Abuse and, $3,791,000 for Institute for Alcoholism. As a group, IV drug users have incurred the second largest number of AIDS cases in the United States and the largest number of heterosexuals contacting AIDS are those who are the sexual partners of IV drug users. The National Academy of Sciences, Institute of Medicine report "Confronting AIDS" included that "trials to provide easier access to sterile disposable needles andy syringes is warranted." What is your reaction to this proposal?

Answer. Since AIDS is spread among intravenous drug abusers through the shared use of contaminated needles and syringes, a number of individuals and groups have suggested that sterile needles should be made readily available to intravenous drug abusers. While not advocating the widespread implementation of such a program, the National Academy of Sciences has suggested that the impact of making needles readily available should be assessed.

It is ADAMHA's position that insufficient data is available regarding the effects of a "free needle" program to support implementation at this time. Such a program may or may not reduce needle sharing, since the act of sharing a needle has symbolic as well as utilitarian significance within the drug abuse subculture. Of particular concern is the possibility that readily available needles may facilitate the initiation of intravenous drug use by non-intravenous abusers.

Another approach to reducing the shared use of contaminated needles among intravenous drug abusers is to inform abusers about steps they can take to sterilize their injection equipment.

NIDA is exploring issues related to availability of needles and needle sterilization. As a first step, NIDA commissioned Dr. Don Des Jarlais of the New York State substance abuse agency to prepare a review of these issues. Based on this review, we are planning to convene a panel of drug abuse experts to advise us regarding further directions. Tentative plans include conducting small-scale, time-limited research studies to assess the effectiveness of programs that provide information on sterilization procedures in changing intravenous drug abusers' behaviors. These would provide short-term data to guide Federal policy until more rigorous longitudinal studies can be conducted.

Regarding "free needles," we believe that the possible negative consequences are sufficient to require caution. We are not prepared to initiate a program making needles readily available; we are, however, prepared to support research to assess the effectiveness of such programs that may be initiated by individual States.

MENTAL HEALTH PRIORITIES

Question. Dr. Macdonald, I noticed the continuing priority that the National Institute of Mental Health (NIMH) places on Schizophrenia which is a disabling mental illness affecting 1.6 million Americans. Depressive illness affects 9.4 million Americans, anxiety disorders affect 13 million adults annually. By the year 2030, there will be 30 million people over the age of 75 and mental disorders including Alzheimer's are common in this age group. In view of the fact that other disorders affect many more people than does schizophrenia, why have you given such high priority to schizophrenia?

Answer. Schizophrenia is a common and severe illness found throughout the world. From the Epidemiologic Catchment Area data we know that the prevalence is 1 percent or approximately 2,000,000 in this country alone will experience schizophrenia during the course of their lifetimes. Onset is usually in adolescence and young adulthood, and many individuals have illness-related impairment for life. Schizophrenia assaults the very essence of what is distinctly human. The personality is eroded, subjective experience and thought distorted, and the psychological building blocks of everyday life are torn apart. Because of these, schizophrenia is one of the most burdensome of the world's unsolved health problems. It is a devastating illness to patients and family; there is a suicide rate of 10 percent in the first 10 years, higher in young male patients. Direct clinical care costs and indirect support losses together have been estimated at $20 to $30 billion annually in the United States alone. Because of the frequent lifetime course of illness, the cost of schizophrenia is approximately equivalent to atherosclerotic heart disease or to that of all cancers combined. Clearly, research support should be commensurate to the impact of this illness.

The National Institute of Mental Health is the major source for funding of high-quality research in schizophrenia. Research on schizophrenia is especially problematic, since animal models are limited and the physiology of a functioning human brain has been inaccessible for direct study until recently.

Therefore, in view of the magnitude of the illness, the difficulty of doing research on it, and the unique role of NIMH in support of research on schizophrenia, furthering research on schizophrenia is the Institute's highest priority within the resources appropriated.

TREATMENT FOR DEPRESSION

Question. Existing treatments can help about 80 percent of those afflicted with depression, yet only 1 in 5 persons seek treatment. What is the National Institute of Mental Health doing to encourage more people to seek treatment?

Answer. The Depression Awareness, Recognition, and Treatment (D/ART) program was developed to communicate the information that 80-90 percent of persons with a major depressive disorder can, in fact, be treated successfully. Even when people do seek help, current evidence suggests that too often depression is poorly recognized, undertreated, and/or inappropriately treated by the health care system. For some of those who go untreated, depression may be a fatal disease: in 1980 more than 16,000 suicides were associated with depression.

The NIMH realized that it was crucial to disseminate information about the availability of effective treatments to the general public as well as to primary care providers and mental health specialists.

Among the public, many people still believe that to admit to depression and to seek help is a personal weakness rather than recognition of a disease. Others are not aware of the fact that effective treatments, often short term ones, are available. The D/ART program aims to change these beliefs through a major public education campaign.

The abundance of recent research findings about the diagnosis and treatments of depression have made it difficult for many health care specialists to keep abreast of the newest treatments. To address this need, the D/ART program has instituted short term training programs for primary care physicians, nurses, and occupational therapists as well for psychiatrists, psychologists and social workers. Some of these training programs are being offered directly by the NIMH D/ART staff. Others are provided by Universities and Medical Schools through NIMH funded grant programs.

RESEARCH PROJECT GRANTS

Question. Excluding the AIDS and Substance Abuse Grants, the size of the remaining regular research project grants seems to have been reduced 4 to 5% on average. Is there a programmatic justification for reducing the average size of the grants?

Answer. While it is true that the regular research grants will experience a reduction in average cost of approximately 4% from last year's support level, when combined with the AIDS and Substance Abuse grants, the average cost for all grants remains stable. Because regular research grants normally experience a 1 to 3% reduction in administrative savings each year anyway, we do not anticipate that a 4% decrease will have an adverse impact on the grantee community.

REAPPROPRIATION PROPOSAL

Question. Like NIH, you have proposed to carry forward $5,000,000 of 1987 funding into 1988 in the research centers and other research categories. Why haven't we seen a deferral or rescission to accompany this proposal?

Answer. The proposal the carry forward $5 million was presented to Congress in the form of a supplemental appropriation request. A deferral or rescission was not necessary since there was to be no Executive Branch action to defer or otherwise restrict the funds available in 1987 until after Congress acted on the proposal.

SMALL GRANTS TO NEW INVESTIGATORS

Question. You have proposed to reduce the small grants to new investigators from 99 and $2,421,000 in 1987 to 10 and $248,000 in 1988. These grants help support and develop young and promising researchers. Is this "eating into our seed corn" by cutting this program so drastically?

Answer. The substantial reduction in the small grant program reflects the shifting of funds for other research mechanisms away from supporting new projects to supporting continuations from 1987 and earlier. Since small grants are by definition new awards, there is no carryover base that would sustain this mechanism at a current service level. The only funding that can be put into this mechanism is some portion of the money available for new awards. Unfortunately for small grants, it is felt that the limited amount of new money available in 1988 would be better utilized in center grants and small business innovation research grants.

Fortunately, small grants are not our only "seed corn" for developing young and promising researchers. The research scientist development awards and the small business innovation research awards also provide a middle link in the steps that bring researchers from their research training into being professional research investigators and potential ADAMHA grantees.

NIMH has decided not to fund this program in 1988 for these three reasons: 1) with a minimum of dollars it would not make sense to have the mental health field develop and submit applications with the chance that only 3 or 4 awards would be made; 2) it was not cost effective to operate a peer review for the awarding of a few applications; and 3) given the constraints on other research mechanism it seemed better to direct these funds elsewhere.

SAINT ELIZABETHS HOSPITAL

Question. The Committee has received your request for $68,312,000 for St. Elizabeths Hospital. When will funding and responsibility for the Hospital be turned over to the D.C. City Government?

Answer. On October 1, 1987 the District of Columbia government will assume budgetary responsibility for, and administrative control of, Saint Elizabeths Hospital as part of a unified comprehensive system of community-based mental health care for citizens of the District of Columbia pursuant to provisions of Public Law 98-621, "The Saint Elizabeths Hospital and the District of Columbia Mental Health Services Act."

CHILDREN'S MENTAL HEALTH PROGRAMS

Question. According to a study released by OTA in January of this year, at least 7.5 million children in the United States--12 percent of those under 18--suffer from a mental health problem severe enough to require treatment and 70 to 80 percent of these people are not getting appropriate mental health services. Particularly lacking in childrens' mental health care--again according to OTA--are community sponsored services. What needs to be done to provide treatment to a greater proportion of children suffering from mental health problems?

Answer. The problem, as stated by the OTA report, is not a lack of treatment models and modalities - but rather a lack of resources to deliver these various treatment interventions and the lack of a system to ensure that the services are delivered in a coordinated manner.

In order to increase accessibility to and availability of appropriate services for seriously emotionally disturbed (SED) children and adolescents, the Federal government (NIMH) will assume a leadership role in highlighting and focusing on the needs of this population. The OTA Report identified NIMH's Child and Adolescent Service System Program (CASSP) as the only present example of Federal leadership in this area. The CASSP program, which has focused on the system improvement issues related to these children, will be continued and strengthened with a goal of establishing a focal point for child mental health services in every State. The community-based demonstration component of CASSP will also be expanded in order to provide a stimulus for States and communities to address this issue.

ADM BLOCK GRANTS

Question. What data collection activities is ADAMHA conducting or supporting on the Alcohol, Drug Abuse, and Mental Health (ADM) block grant program?

Answer. ADAMHA, as the agency responsible for the management of the ADMS block grant program, executes the legislative requirements that mandate that States submit an annual application in order to receive an allotment from the block grant and submit an annual report on the activities carried out under this program.

ADAMHA also supports data collection efforts through the National Association of State, Alcohol and Drug Abuse Directors, the result of which is the State Alcohol and Drug Abuse Profile (SADAP). This profile provides the major national data source on State ADM clients and services and was an important source for data used to develop the 55 percent needs formula. SADAP collects information on all programs that receive at least some money from the State alcohol and drug abuse agency, which includes block grant, other Federal, State, local, and third party information on clients, services and funding.

The annual application requires the State to assure compliance with a number of earmarks, set-asides, and legislative provisions, and to prepare and furnish a description of the intended use of the monies received by the State. The annual report requires the State to provide, among other information, a record of the purposes for which funds were spent, the recipients of such funds, and the progress made by the State toward achieving the purposes for which the funds were provided. The Secretary does not prescribe for the State the manner and format of compliance with the application and annual report requirements; as a result, each State must to decide what to report, what definitions to use, and what format to use for reporting.

Accordingly, data collection activities under the ADMS Block Grant are limited to State determined descriptive information which is not easily aggregated at the national level and does not allow evaluative judgments on the effectiveness or efficacy of funded activities.

Question. What kinds of information have you obtained from the data collected on the operation of the ADM block grant? For example, what trends, if any have you spotted in the populations receiving substance abuse treatment services in terms of age groups represented or the abused substances for which they are receiving services?

Answer. The 1985 Block Grant Report to Congress contains a synopsis of block grant activities gathered from the State applications and annual reports, including a detailed description of the new or expanded programs established under the alcohol, drug abuse, and mental health set-aside provisions. This report is currently in review in the Office of the Secretary (DHHS) in preparation for final transmittal to Congress. The data in this report is descriptive in nature and does not enable us to assess trends in populations treated or substances abused. Another major information resource for the Report to Congress was the 1985 State Alcohol and Drug Abuse Profile (SADAP), which is produced by the National Association of State Alcohol and Drug Abuse Directors (NASADAD). This report does contain information on publicly funded clients in State treatment facilities (including the Block Grant), by race, sex, and primary substance of abuse.

The SADAP report notes - "Selected comparisons were made between 1984 and 1985 alcohol and drug client SADAP data. The alcohol client treatment admissions data provided by 44 States, the District of Columbia and Puerto Rico for both years revealed a six percent rise in those admissions. Forty States, the District of Columbia and Puerto Rico were able to provide information on drug client treatment/admissions in both years. Comparisons of those data show an overall increase of nearly 5.6 percent. The most significant increase during this period was a 48.5 percent increase in the number of cocaine admissions.

The SADAP report also summarized major areas of need. The States indicated specific needs included increased services to youth, women and a variety of special population groups including ethnic minorities, the dual handicapped, intravenous drug abusers diagnosed as having AIDS, indigent persons, individuals in the criminal justice system, the homeless, chronic alcoholics and public inebriates. In addition, many States identified the need to expand detoxification services, increase program staff positions and raise salaries.

Question. What are you recommending to the Congress for the reauthorization of the ADM block grant after the end of FY 1987? What changes, if any, will you propose for the reauthorization of the block grant?

Answer. The Administration is proposing a three-year reauthorization for Fiscal Years 1988 through 1990. We are proposing that all earmarks and set asides be dropped except: the 10 percent administrative cost limit, the 7 percent transfer between block grants, the 25 percent discretionary limit for funding alcohol and drug abuse activities, and to maintain the requirement that nondiscretionary funds be allocated for mental health and substance abuse activities according certain base-year percentages for mental health and substance abuse activities. The Administration supports the retention of the three earmarks for the following reasons:

- The 10 percent administrative "cap" is a fair and reasonable limit for these activities. Elimination of such a restriction could result in inordinate administrative expenditures, at the expense of treatment and prevention activities.

- The 7 percent limit provides continued flexibility to transfer funds into the ADMS Block Grant or from the ADMS to other specified health - related block grants dependent on the specific need within the State. The limitation assures the transfer will not significantly alter the basic legislative intent that these monies primarily support ADMS activities.

- Pre-existing legislation provided discretionary limits for transfer of funds within the ADMS block grant of up to 5 percent in FY 1983 and up to 15 in percent in FY 1989. Current legislation provides that States have the flexibility to transfer up to 25 percent of block grant funds between mental health and substance abuse entities. This limit allows continued State flexibility in the major funding of these important health service delivery areas.

- The requirement to retain the baseline allocation for nondiscretionary funds between mental health and substance abuse provides a continuing, stable base of funding while allowing flexibility in the discretionary area noted above (25 percent).

Question. What kinds of substance abuse treatment approaches are being supported by the block grant? How are such treatment programs evaluated for effectiveness? What evidence, if any, do you have that any one treatment approach is more effective than another?

Answer. Most States provide a full range of alcohol and drug abuse services to populations in need. The vast majority of States utilized ADMS Block Grant funds to provide these or similar services.

Treatment

Emergency Care - services provided to persons having acute problems relating to substance abuse, including diagnosis, as well as referral for continuing care. Detoxification often occurs at this level.

Intermediate Care - the provision of nonmedical or medical model substance abuse treatment services in a 24-hour residential or partial residential setting.

Outpatient Care - the provision of nonresidential diagnostic, therapeutic, and other counseling in an alcohol or drug-free environment.

Methadone Maintenance - the continued administering and/or dispensing of Methadone, L-alpha acetylmethadol (LAAM), or propoxyphene napsylate (DARVON-N), in conjunction with provision of appropriate social and medical services, for a period in excess of 21 days.

Prevention/Early Intervention

Outreach - actively working within a community for the purposes of identifying persons in need of services, alerting persons and their families to the availability of services, and enabling persons to enter and accept service delivery.

Aftercare - the provision of continued post-treatment contact for the purpose of providing support and/or to increase the gains made in the treatment process.

Consultation and Education - consultation involves the provision of information and technical assistance to a group or individual seeking resolution of a particular alcohol or drug problem. Education disseminates information to increase awareness, receptivity and sensitivity of the community towards alcohol and drug abuse and stimulates social action against this abuse.

Training - involves program activities associated with the provision of services to professionals, community action groups, and educational institutions to enhance knowledge, skills, and abilities dealing with abuse issues.

Other

Support Services - may include medication disbursement and control, referral services, research activities, data collection, child care, or transportation related to alcohol and drug abuse services.

ADAMHA does not evaluate these programs for effectiveness and does not have evidence which suggests any one (or more) State treatment approach is more effective than another.

The States are required only to establish reasonable criteria to evaluate the effective performance of entities which receive funds from the ADMS block grant. The result of these evaluations may be used by the State to guide internal management of block grant activities. No ADMS block grant reporting requirement exists to provide these evaluations to the Federal government.

Question. What proportion of the population receiving substance abuse treatment services are receiving such services for the first time and how many are repeaters?

Answer. There are no provisions within the current Block Grant legislation that allows ADAMHA to collect data from the States. As a result, we have no data which distinguishes first time from repeat admissions. While ADAMHA often relies upon the NASADAD State Alcohol and Drug Abuse Profile (SADAP) for data on State substance abuse treatment programs, NASADAD does not collect information on first time or repeat admissions. Distinguishing repeaters is very complicated as individuals move among different facilities/providers for their treatment.

Question. What kinds of mental health programs are supported under the ADM block grant? What types of programs, if any, other than community mental health centers are receiving support under the block grant?

Answer. ADMS Block Grant funds can only be used to support mental health services through Community Mental Health Centers (CMHC). The following services are provided:

- o Services for chronically mentally ill (CMI) individuals which include identification of chronically mentally ill individuals and assistance to such individuals in gaining access to essential services through the assignment of case managers.

- Identification and assessment of severely mentally disturbed children and adolescents and provision of appropriate services to such individuals.
- Identification and assessment of mentally ill elderly individuals and provision of appropriate services to such individuals.
- Services for identifiable populations which are currently underserved in the State.
- Coordination of mental health and health care services provided within health care centers.

ADMS block grant funds to CMHCs require the provision of comprehensive mental health services which include the following:

- outpatient services, including specialized outpatient services for children, the elderly, individuals who are chronically mentally ill, and residents of the CMHC's mental health service area who have been discharged from inpatient treatment at a mental health facility;
- 24-hour-a-day emergency care services;
- day treatment or other partial hospitalization services, or psychosocial rehabilitation services;
- screening for patients being considered for admission to State mental health facilities to determine the appropriateness of such admission, and;
- consultation and education services.

The only exception to funding CMHC's is in States where a County is designated as the recipient of mental health block grant funds when a CMHC does not exist. This occurs only in four States to augment CMHC coverage. No other programs receive mental health block grant funds.

SUBSTANCE ABUSE INITIATIVE

Question. What is the status of the disbursement to the States of the substance abuse treatment grants authorized by the Anti-Drug Abuse Act of 1986? Have these funds gone to the States yet?

Answer. On November 24, 1986, States were notified of the availability of the 45 percent portion of the Alcohol and Drug Abuse Treatment and Rehabilitation (ADTR) Block Grant. As of March 27, 1987, 54 applications have been received and awards issued to 50 States. Five applications are currently in review and two are pending award. On January 20, I wrote to the Governor of each State transmitting the proposed formula for the 55 percent need-based monies. After granting an extended period for State comments, ADAMHA is in the final stages of reviewing State recommendations and will announce a final decision soon. On March 4, I transmitted to all States the approved application requirements and guidelines for the 55 percent monies. We plan to review these applications within two weeks of their submission by the State, permitting awards to be made at the earliest possible date.

Question. How are you allocating the substance abuse treatment grants among the States? That is, how are you determining the need of States for additional funds for treatment services, as required by the Act?

Answer. As required by Section 1921(b)(3)(A-C) of the Anti-Drug Abuse Act of 1986, ADAMHA has developed, and shared with the States, a need-based formula for 55 percent of the Alcohol and Drug Abuse Treatment and Rehabilitation (ADTR) Block Grant Funds. In determining the need of States for funds ADAMHA utilized readily available State and national data involving three factors: number of individuals in the population at risk (age 14 to 44), number of drug and alcohol abuse treatment admissions, and the ratio of the per capita income in each State as a fiscal capacity measure.

In addition to the factors noted above, the original formula also contained an adjustment factor using an inverse of State funding for alcohol and drug abuse services as a further statistical measure reflecting the "ability" of the States to provide alcohol and drug abuse services. A number of States expressed concern with this use of the inverse of State funding for alcohol and drug abuse treatment as a measure of the State's "ability" to provide services. In order to neither penalize nor reward States that have committed relatively more funds to the treatment of alcohol and drug abuse in the past, ADAMHA has decided to eliminate the State funding variable from the formula. The net effect of this change is minimal, with the change in the distribution of funds being less than 1 percent in any State.

Question. What is the status of the new Office for Substance Abuse Prevention (OSAP) established by the Anti-Drug Abuse Act? What substance abuse prevention activities is it conducting or supporting?

Answer. OSAP began operations in November 1986 shortly after the signing of the Anti-Drug Abuse Act on October 27. OSAP has recently finalized plans for major grant and contract programs, in support of its prevention and education efforts. These include a $24 million demonstration program focusing primarily on high-risk youth, a National Clearinghouse for Alcohol and Drug Information, enhancement of existing and development and implementation of new media campaigns, films and literature; and, assistance to National, State, and local groups to hold meetings, workshops, and conferences.

Question. How do you evaluate the effectiveness of substance abuse prevention activities?

Answer. In substance abuse prevention assessment evaluation, we are seeking to determine if a prevention program is achieving its desired impact. The key questions which must be addressed are: "Can the effectiveness of the program be estimated?" and "Did the program work?" Clearly, while we would like to be able to gauge the effect of any given prevention program, there may be circumstances which would preclude a credible evaluation, such as the absence of comparison (control) groups. Research designs based on random assignment to experimental and control conditions (often called "true experiments") are almost universally recognized as the most effective way to estimate program impact in an unbiased manner. Yet several quasi-experimental designs can also yield credible results as in the case of comparing drug use measures on individuals before program involvement (pre test or baseline data) and after receiving the prevention/intervention service.

In addition, we need to estimate the difference, via quantitative measures, between what actually resulted form the prevention program and what would have happened had the program not existed. We also try to determine the degree to which these estimates of program impact can be attributed to the program itself rather than some other causes(s).

Question. What prevention approach seems most effective at the present time?

Answer. Although there is no specific prevention approach that appears to be effective under all conditions, some strategies that have promise include:

1. Social pressures/social skills More recent prevention research has focused on the role of social pressures, especially peer pressure, in motivating adolescents to use drugs. The various social pressures and social skills training approaches share several common elements: (1) they alert youth to the pressures from peers, family and the media to use drugs; (2) they train youth in specific skills for resisting these pressures; (3) they correct normative expectations, i.e., everyone is not using drugs; and (4) they provide information about the immediate negative consequences of drug use. Both social pressures and social skills programs include the above elements. However, personal and social skills training programs go beyond these elements, considering them within the context of a broader affective educational approach (i.e., development of decision-making and communications skills).

2. Youth Initiated Programs - The role of student assistance programs within the school setting holds some promise, as does nationally organized youth activities on college and university campuses.

3. Activist and Family/Parent Groups - The parents' movement has mobilized, organized, and coalesced parents to provide clear, enforceable messages as an effective countervailing force ("parent power") to peer, media, and community pressures encouraging drug use. They emphasize that drug abuse is a family problem that effects every member of the household and must be addressed from a family perspective. Family oriented prevention activities include parent training (affective and behavioral), family skills training, and family self-help groups.

4. Professional associations - Besides providing direct advice about the dangers of drug use, professional health care providers emphasize that drug use may be analogous to a biological disease model that emphasizes the progressive nature of chemical dependency, and its chronic deleterious effects on mental and physical functioning.

5. Legal and Judicial Units - Activities include better regulations and enforcement of the availability of legal substances (tobacco and alcohol) as well as reducing the availability of illegal substances. Juvenile and family court settings may be ideal locations to identify substance abuse problems and recommend interventions for at-risk youth and their families.

6. Environmental/Ecological Changes - This approach emphasizes alterations in the social and physical environment. Examples include establishment of an enforcement of tougher school drug policies to better coordination of school prevention activities with relevant student, PTA, community, and parent groups. Another emphasis is on reducing exposure to drug messages through the media. On the other hand, media messages can strengthen public support for both prevention and intervention by establishing sound norms and countering the heavy onslaught of commercial promotions, especially for alcoholic beverages. Mass media campaigns can be effective in changing awareness, knowledge, and attitudes, and can create a context in which other strategies to change behavior can succeed.

Question. What is the status of the demonstration projects aimed at high risk youth? What is the procedure for selecting grantees and awarding grants for these projects?

Answer. The High Risk Demonstration Grant was released March 5. It included three different types of demonstration projects: (1) comprehensive prevention, or prevention, treatment, and rehabilitation demonstration projects for highrisk youth; (2) targeted primary prevention demonstration projects for high risk youth; and (3) demonstration projects for early intervention with youth who have begun to use "gateway drugs".

Over 4,000 announcements were mailed initially and nearly 1,500 have been mailed subsequently. In addition, Application Kits were released on March 12 to over 1,000 requestors. In order to further assist applicants, a Technical Assistance Guide was mailed on March 27 to all requestors. This Guide reemphasizes important grant instructions and clarifies other sections of the Announcement and Application Kit. Also, OSAP Staff are available to provide technical assistance to any requestor needing additional assistance.

Grant applications must be received no later than May 15, 1987. Review committees comprised of independent qualified experts will review grants in July and either approve or disapprove applications, assigning priority scores to approved grants indicating their assessment of the grant's potential contribution to high risk youth.

Funding decisions will be based on the criteria outlined in the Grant Announcement. This includes quality of application (priority score), geographical dispersion, diversity of program area, distribution among the various high-risk groups as specified in the legislation, National significance of proposed project in terms of developing an approach with applicability elsewhere, balance among types of interventions and approaches, availability of funds, demonstration projects directed primarily for minority populations. Awards will be made in September, 1987.

PLANNING AND DEMONSTRATIONS

Question. What kinds of activities are supported by planning and demonstration grants for the chronically mentally ill?

Answer. Community Support Program activities for the chronically mentally ill include statewide service systems improvement initiatives and service demonstration programs to assist sub-populations with special needs, i.e., the homeless mentally ill, the elderly mentally ill, and young adults with serious mental illness and substance abuse problems.

Question. What kinds of activities for seriously mentally ill children and adolescents are supported by the planning and demonstrations grants?

Answer. Under this program the Child and Adolescent Service System Program (CASSP) is an initiative to improve service delivery for severely emotionally disturbed children and adolescents by changing the way in which services to this population are delivered by States and communities. The CASSP program has three major components: the grant program, the technical assistance and research program, and the evaluation program.

Based on the philosophy that these children and youth require a multi-agency approach, CASSP encourages the inter-agency coordination and planning of services, as well as, the development of a strong mental health component within the broader child saving system. In order to best respond to the needs of the population, CASSP requires that families of severely emotionally disturbed children and adolescents be included in the planning and implementation of such service systems. The development of services appropriate for the needs of minority children and youth is also stressed.

The grant program currently funds 28 State grants and 3 local grants. The State grants support the creation of State-level foci for severely emotionally disturbed children and adolescents (under the auspices of the child mental health authority). On the State level, all component agencies. public and private, are called upon to become part of a coalition to assure the appropriate provision of services. These agencies include mental health, health, education, welfare and juvenile justice. Alternative services and local service advocacy groups must also be included as equal partners in this coalition. Local level grants replicate this process at the community level as an extension of a statewide system building effort.

Question. How do you evaluate the effectiveness of planning and demonstration programs for the chronically mentally ill and seriously disturbed children in the States. How do States share information with each other on what they are doing and what they have learned in this program?

Answer. Community Support Program planning and strategy development programs for improving services to the chronically mentally ill have been evaluated at the national, State, and systems levels. Evaluations have indicated increased attention to this population and improved quality of life for clients where there are community support programs available.

Demonstration programs for innovative services to the homeless and elderly chronically mentally ill will be evaluated by each program assisted by experienced experts in these program areas.

The program effectiveness of the Child and Adolescent Service Systems Program (CASSP), is evaluated through several mechanisms, including process evaluation, State initiated evaluations and outcome studies. Each year all the grantees complete a self-evaluation instrument. This process oriented instrument charts progress on program goals and systems building. Each State is required as part of the CASSP grant to evaluate their program. These evaluations are State initiated and focus on the unique qualities of each State CASSP program. Lastly, outcome studies are planned. The first will focus on the impact of CASSP on accessibility and availability of services for seriously emotionally disturbed (SED) children and youth.

States will share information on program activities and learnings through national, regional and State learning conferences, Project Director meetings, the Community Support Network Newsletter, and through regular information mailings.

Question. What will be the procedure for selecting grantees and awarding grants for service demonstration projects for the homeless mentally ill, as proposed in your budget for FY 1988? How many grants, serving how many persons, do you expect to be awarded under this program?

Answer. Grant applications will be evaluated in a competitive manner by the peer review process, as are other grant applications. Applications will be judged on the basis of quality of program design, feasibility of the proposed project, and demonstration of need in the community.

There will be at least 13 new grants awarded. Project grants for innovative services will provide those services (e.g., case management, outreach, treatment) to approximately 100 homeless mentally ill people per local area. Systems grants will improve systems and access to services for chronically mentally ill and homeless mentally ill people throughout an entire community.

MENTAL HEALTH RESEARCH

Question. What kinds of research is NIMH supporting on the causes and prevention of suicide, particularly suicides among young people?

Answer. NIMH is involved in the following suicide research activities:

- Grants: NIMH currently supports a total of 12 epidemiologic and clinical projects in the area of suicide. These grants are focussed on youth suicide, contain a substantial suicide component, or study subjects under the age of 25. Five more grant applications are awaiting review.

- Epidiologic Catchment Area (ECA). The core data from the ECA contain information on suicide ideation and suicide attempts. These data are currently being analyzed by program staff for information on suicide ideators and attempters, with focus on the 18-24 year olds. Results of these analyses will be disseminated to the field.

- Division of Clinical Research (DCR) Suicide Consortium. This group was formed to coordinate suicide research efforts within NIMH.

- Workshop. Using the convening powers of the Institute, DCR is planning a Workshop on "Strategies for Studying Suicide and Suicidal Behavior". The purpose is to bring together a carefully selected group of experts to discuss methodologic issues. This workshop will be used as a forum to discuss common problems and issues that may arise, with emphasis on development of a common core of assessment tools and standardization of terminology (e.g., suicide vs. attempted suicide).

- NHANES-III. NIMH will participate in the NCHS-sponsored Third National Health and Nutrition Examination Survey (NHANES-III). One important objective of our participation is to obtain, for the first time, an estimate of the prevalence of suicidal ideation and attempts in a national probability sample of the U.S. population. The structure of the survey will permit long-term followup of suicide ideators and attempters, as well as persons with psychiatric disorders, to determine which of them die by suicide.

NIMH PROGRAM FOR THE ELDERLY

Question. What kinds of research does NIMH support on the mental health problems of the aged and how to treat such problems?

Answer. The NIMH supports a broad scale program of research on the mental health problems of the aged. General areas of support include: classification, assessment, etiology, genetics, clinical course, outcome, and prevention of major mental disorders, (including special emphasis on Alzheimer's disease); the pharmacologic, somatic, and psychosocial treatment and rehabilitation of these disorders; and on issues of family support and clinical services delivery to the elderly. All research support mechanisms are available within this program, including research grants, career development, research training, and clinical research centers.

Question. What research does NIMH support on mental health treatment approaches, particularly on the effectiveness of various treatment approaches?

Answer. The National Institute of Mental Health continues to be committed to the support of scientifically meritorious research on the efficacy of treatments for a wide range of mental disorders. The NIMH is currently organized in a manner so that all research pertaining to a particular mental disorder is administered in the same program. Within each of these disorder-oriented programs, investigations of two broad classes of treatments are supported: psychological and psychopharmacological therapies applied to their relevant disorder.

Both treatments produce significant clinical benefits in the treatment of panic disorders, agoraphobia, obsessive-compulsive disorders, major depression, childhood autism, hyperactivity, depression in the aging, as well as in the post-discharge adjustment of schizophrenic patients. Both classes of treatment modalities also have shown some efficacy in the treatment of some sex offenders.

Question. What promise can you report on research into the causes and treatment of schizophrenia?

Answer. The National Institute of Mental Health has supported a comprehensive range of research programs on schizophrenia. Major progress has been made in the science available to address schizophrenia--new technologic windows into the brain through positron emission tomography, MRI and BEAM; new molecular genetics approaches; neuropathology, neurophysiology, and neuropsychology; and new treatment strategies.

Increased ventricle to brain ratios and lower frontal brain activity in schizophrenia have been reported. The next step involves scans in living patients to clarify the relationship between clinical symptoms of schizophrenia and D2 type dopamine (DA) receptors in different regions of the brain. A recently funded project at Johns Hopkins is using 11C-N-Me Spiperone-(NMS) Pet scanning. This technique can specifically label the receptors thought to be altered in schizophrenia and do so in living patients. By studying patients never exposed to neuroleptic medication, the investigator will be able to study the effects of schizophrenia independent of antipsychotic drug effects. Other NIMH funded scientists are studying a plasma dopamine metabolite that may reflect brain DA functioning. If it is found that plasmahomo-vanillic acid (HVA) in unmedicated schizophrenic patients is significantly correlated with positive symptoms and decreased in patients with negative symptoms, then we will not only better understand the disorder but may be better able to predict appropriate treatments in the future.

NIMH also supports studies of biological. markers and neurophysiological markers which may be of great value in subtyping of patients. Another interesting potential marker is derived from measuring eye movements. Eye tracking dysfunctions (ETDs) may be biologic markers for genetic transmission of schizophrenia. ETDs involve abnormal eye movements during visual tracking of a moving object. The dysfunction is not only more prevalent among schizophrenia patients (51 percent to 85 percent) than in the general population (8 percent), but is also more prevalent in relatives of schizophrenic patients who do not have schizophrenia (34 percent of parents of schizophrenic patients have ETDs).

In terms of treatment of schizophrenia, a central focus of research has been improvement of the long term maintenance treatment of patients. Because of concern about tardive dyskinesia (TD), systematic attempts to reduce the burden of antipsychotic medication have been made. The two major methods examined have been very low dose treatment and the use of "targeted" medication, in which patients receive medication only when signs of recurring symptoms of the illness are detected. Symptoms of psychopathology can be kept under control with low dose and personal feelings of discomfort are reduced with low doses. Finally, Patients treated with low dose develop fewer signs of TD. Targeted medication offers similar kinds of benefits and results of studies suggest that this strategy also offers benefits. It appear that patients who have some insight into the process of becoming sick may be most suited to this strategy.

Research is ongoing in comparing the two strategies to one another. This work is most likely to yield definitive information about which patients should be treated with which method of dosage reduction.

NIMH RESEARCH ON RURAL POPULATIONS

Question. What kinds of research does NIMH support on the special mental health problems of our rural population and the difficulties in providing treatment services to them?

Answer. NIMH has announced a Rural Mental Health Demonstration Program which will provide grants to (1) assist States and local communities in meeting the immediate and critical mental health needs of rural residents currently affected by the farm crisis; and (2) improve the long-term capacity of State and local governments to deliver appropriate mental health services in rural areas. Congress provided $1,200,000 for this program in FY 1987 to establish four State demonstration projects.

The grants will be made to the Governor of the State, with the intent of encouraging collaboration between State departments of mental health, agriculture, extension service, labor, and commerce, and between State and local governments. The deadline date for applications is April 1, 1987, and a start date in September, 1987, is anticipated. NIMH will also fund a contract to evaluate these demonstrations.

MENTAL HEALTH TRAINING

Question. What are the Nation's public mental health facility needs with regard to clinical training of personnel and what are you doing to help meet them?

Answer. NIMH-supported training projects are strongly oriented toward the preparation of professional personnel who are committed to providing mental health services in public mental health facilities. The needs in these facilities are vast, and it has been NIMH policy for some time to emphasize the selection of trainees whose career goals include the provision of mental health services in public facilities. Such facilities are expected to be used for field training provisions, including internships, field practica, and other experiential training components. Trainees supported by NIMH are required by law to "pay back" in service time for traineeships received, with payback requirements being most readily met by service in public facilities.

Question. What training activities does NIMH support on the special mental health problems of women? Of the homeless? Of the rural population? Of those incarcerated in jails or prisons?

Answer. The clinical training programs for Depression Awareness, Recognition and Treatment (D/ART) and Aging both reflect the predominance of women in the treatment populations involved. The other NIMH clinical training programs include women in the context of designated priorities such as minorities and homeless persons. The Office of the Associate Director for Special Populations has established a focal point for NIMH involvement in women's mental health issues. It expects to foster the development of programs specific to women's mental health across all NIMH funding mechanisms, including training.

Intensive efforts are either in planning or underway with regard to training of all mental health professional disciplines for services to the chronically mentally ill homeless. The contract funding mechanism is being used to develop specialized curricula in relation to serving seriously mentally ill homeless individuals.

Our efforts aimed at rural populations intend to upgrade skills, develop newly responsive services, and expand the pool of trained professionals to work in this area. All the mental health disciplines are addressing the issue of mental illness among rural populations. A contract was awarded to devise specialized curricula for training social work personnel to provide mental health services to rural people. A similar program is being funded by a grant to the Department of Psychology, University of Nebraska. Three State recipients of funds from the State Human Resource Development (HRD) Program have a substantial project focus on rural populations.

The HRD program supports 9 grants which focus on the mental health of those incarcerated in jails or prisons.

Question. What are the most serious areas of need for mental health researchers and how is NIMH responding to such needs?

Answer. There are serious areas of need for researchers in several mental health fields. These include psychoneuroimmunology, molecular biology, molecular genetics, emotional development, cognition, health damaging behavior, schizophrenia, child and adolescent disorders, mental disorders of aging, and services research. These training needs have emerged because progress in research requires the involvement of disciplines not previously considered central to the study of mental disorders; the evolution of research in specific fields has changed the training requirements for new investigators, and the priority assigned to research areas has changed. NIMH employs several funding mechanisms to support training efforts in these and other fields: institutional grants, individual fellowships, and various career development awards. For instance, NIMH supports two institutional training grants on psychoneuroimmunology, an emerging specialty of increasing importance because of its relationship to AIDS and the viral and immunological theories of mental disorders. In addition, a consortium model of research training, designed to provide expertise in several related areas, is being used to develop researchers in emotional development. An effort also is being made to increase the training capacity of Clinical Research Centers to provide clinical research training related to schizophrenia, child and adolescent disorders, and mental disorders of aging. In addition, NIMH is transforming its academic award in geriatrics into a clinical science academic award to cover schizophrenia and child and adolescent disorders. A clinical award assists an experience faculty member to become a researcher, a trainer of researchers, and a resource person for other faculty members. Training in services research is supported through the newly created Centers for Research on the Organization and Financing of Care for the Seriously Mentally Ill and the institutional grants. The focus of these training programs if shifting from discipline based programs to problem oriented programs requiring multi-disciplinary perspectives.

PREVENTION RESEARCH

Question. What kinds of research does NIDA support on the prevention of drug abuse and on the evaluation of effectiveness of prevention approaches?

Answer. NIDA's prevention research program consists of three major components: 1) etiological research to determine the factors which either increase or mitigate the likelihood of drug initiation and abuse; 2) controlled evaluation research of innovative prevention and intervention programs and policies; and 3) abuse liability studies designed to identify new substances with a potential for abuse.

Most etiological studies have focused on psychosocial factors involved in development of drug use and abuse. These research efforts are clearly important and will continue to provide the clinical field with a better understanding of the origins of this social and medical problem. In addition, a growing body of research suggests attention needs to be given to genetic and environmental factors that play an important role in the development of addictive disorders. While little research has focused upon the relationship of these factors to drug abuse, evidence suggests that the pattern of inheritance may be similar. Because of the importance and high potential of this relatively unexplored area of science, NIDA is currently initiating a major research effort in this area.

The development of efficacious prevention interventions is one of NIDA's most important research activities. Based upon the findings of etiological research, prevention programs for high risk and general populations are designed and tested under controlled randomized research designs. For example, NIDA intervention research has focused upon the design and testing of prevention strategies for children of parents addicted to alcohol or drugs. These studies have investigated the individual and combined effectiveness of parenting training and cognitive and social skills training for their children. Numerous studies have focused upon the efficacy of school and community based interventions. Special attention recently is being given to prevention programs appropriate for the workplace, possibly in conjunction with drug screening programs. This area of research has proven to be a difficult one, given the critical demands for effective research methods and quality assessment of program outcomes. Despite the difficulties, NIDA has recommitted its resources for a sustained and scientifically sound program of research.

NIDA's abuse liability program is one of our most long standing research activities. The research on the potential dangers of new substances has led to a better understanding of the reinforcing properties of new chemicals and the likelihood of subsequent abuse. The importance of this research is illustrated time and again as new substances emerge on the scene, the problem of designer drugs being one recent example.

DRUG ABUSE AMONG WOMEN

Question. What research does NIDA support on the prevention and treatment of drug abuse among women?

Answer. A prevention research program review of drug abuse research on women conducted in 1985 indicated that the overwhelming majority of NIDA-sponsored projects have focused on treatment of drug dependent women, their special health needs and their children, but with virtually no research on the prevalence, incidence, and prevention of drug abuse among girls and women. This situation is being changed. A recent research symposium focused on research technology and methodology on female populations, including preclinical animal studies, and reviewed gender-linked metabolic, endocrine, and dose-response mechanisms, while a second symposium focused on the role of drug abuse in onset of adolescent sexual activity and pregnancy and implications for prevention. A NIDA Workgroup on Women and Drugs was recently established to oversee implementation of the PHS women's initiatives and to conduct special projects such as the forthcoming symposium on women and AIDS. Women have also been included as a high-risk special population for drug abuse research in recently issued research announcements to solicit proposals for research in the prevention and treatment areas. Finally, a NIDA Clinical Research Center on Polydrug Abuse in Women has been established.

EFFECTIVENESS OF DRUG ABUSE TREATMENT

Question. What does NIDA research on drug abuse treatment show on the relative effectiveness of various treatment approaches? Does any treatment approach seem to prevent relapses more than another?

Answer. NIDA sponsored research shows treatment for drug abuse to be highly effective. Clients entering drug-free outpatient (counseling) programs, drug-free residential (therapeutic community) treatment, and methadone maintenance generally experience dramatic reductions in drug use and associated criminality. Many studies also show improvement in employment status among treated drug abusers. Those treated in short-term (21 day or less) detoxification do significantly less well, and have a much greater tendency to relapse to drug abuse. The question of which treatment is superior becomes clouded by the prevailing pattern for clients to have multiple treatment experiences, often in more than one type of program, before finally becoming abstinent from their principal drug of abuse. This pattern of multiple treatments is reflected in a study by Simpson et. al. (1982), in which opioid addicts were followed over a 6 year period after admission to treatment. By the 6th year, 61 percent of the addicts were opioid abstinent and had been so for at least one year. Treatment figured prominently in the attainment of stable abstinence patterns, with about 80 percent of those abstinent having achieved this status directly in connection with a treatment episode. In addition to the 61 percent who were abstinent, 18 percent had given up daily opioid use, but had other problems such as occasional opioid use, heavy use of nonopioids or alcohol, or long-term incarceration. Thus, even though a significant number of the clients had other problems, only one-fifth of the those treated continued their pre-treatment levels of opioid use over a long period after leaving treatment.

Relapse prevention is an important component of treatment programming, and is the subject of ongoing research at NIDA. The greatest risk of relapse after leaving treatment occurs during the first 90 days, at a time when the client is exposed to drug-related stimuli, without the support of a structured program to help resolve the conflicts the individual experiences. For this reason, aftercare programs have been developed to followup on the individual in the community, and to provide a resource to assist in maintaining the client's commitment to abstinence. After care models include self-help groups such as Narcotics Anonymous, and approaches stressing the development of coping skills through professionally guided self-help training groups. Also, cognitive-behavioral models such as that developed by Marlatt include coping strategies and development of more effective perspectives on drug use ("slips") and relapse.

SYNTHETIC DRUGS

Question. What kinds of research does NIDA support on the production and use of synthetic drugs, and on the effects of their use?

Answer. "Synthetic drugs" are structural analogs of drugs already scheduled under the Controlled Substances Act (CSA). They are synthesized by underground chemists to mimic the psychotropic effects of the parent controlled drug. Because these analogs are not structurally identical to the parent compound, the manufacture is not a violation of the Federal law. Theoretically, the number of potential synthetic analogs that can be made and distributed is very large and virtually anyone with a background in college chemistry can obtain the information necessary to synthesize them. At present, there are three general types of synthetic analog drugs available though the illicit drug market: analogs of phencyclidine (PCP), analogs of fentanyl and meperidine, and analogs of amphetamine.

PCP analogs have been identified in confiscated street samples and some of these have been placed in Schedule I of the CSA. The use of these is not widespread, however. Street names of fentanyl analogs, such as "synthetic heroin," "China white," and "new heroin," are often used interchangeably to designate wide varieties of fentanyl-like compounds. Many of these derivatives are far more potent than heroin and a number of overdose deaths have been attributed to this potent narcotic class. Meperidine (Demerol) is a much abused narcotic and while two "designer drugs" which are similar have appeared on the street (MPPP and PEPAP), the greatest danger is due to an impurity (MPTP) formed during the underground manufacture of meperidine analogs. MPTP is a potent neurotoxin and has caused irreversible brain damage in several individuals in the form of a drug-induced Parkinson syndrome. Designer drugs of the amphetamine/methamphetamine class are, perhaps, of the greatest concern at the present time because of the widespread use and potential brain damage induced by these drugs.

Several dozen analogs of amphetamine and methamphetamine are hallucinogenic. Some have appeared on the street and have been scheduled under the CSA, but others have not. The analogs currently of concern are methamphetamine, MDA, and MDMA. MDMA is known on the street as "Ecstasy" and has received considerable attention from the media. It is widely used on college campuses as a euphoriant and has been used by a group of clinicians as an adjunct to psychotherapy in spite of the absence of studies concerning its effectiveness and safety. MDMA is similar in structure to MDA, which has been shown to be neurotoxic to serotonergic neurons in the brain. In animal studies, the doses of MDA which produce neurotoxicity are only 2 or 3 times greater than the minimum dose needed to produce a psychotropic response. This suggests that individuals who are self-administering effective doses are probably administering the neurotoxic dose as well. The relation between the neurotoxic dose of MDMA and the effective psychotropic dose are presently under investigation. Methamphetamine, too, is neurotoxic and it produces damage not only to serotonergic neurons, but to dopaminergic ones as well. It is damage to the dopaminergic neurons of the nigrostriatal system which is responsible for Parkinson's disease. Parkinson symptoms have not yet been observed in methamphetamine abusers and this is probably because the neuron loss is not sufficiently severe. It is likely, however, that with further cell loss, as is normal through aging or exposure to other toxicants, that symptoms will emerge. It is therefore very important to learn about the toxicity of these drugs as soon as possible.

NIDA is currently active in supporting investigations into the pharmacological properties and mechanisms of the designer drugs, the neuropsycho pharmacology, and the pharmacokinetics. Special efforts are being exerted toward finding the extent of designer drug-induced brain damage and the processes which are responsible for the neurotoxicity. For example, current evidence indicates that methamphetamine causes a massive release of neurotransmitter (dopamine) which, because of drug-induced inhibition of the normal inactivation process, is converted through chemical rearrangement to a well-known and potent neurotoxin, 6-hydroxydopamine. Presumably, serotonin neurons are destroyed by a similar mechanism. Understanding the process responsible for brain damage is very important in order to develop a rationale for effective prevention and treatment of methamphetamine-induced brain damage. Such information is also very important from the perspective of predicting and treating damage induced by other designer drugs. Amphetamine, methamphetamine, MDMA ("Ecstasy"), MDA, MDE (the ethyl derivative of MDMA), and fenfluramine have all been shown to produce neuropathology, presumably because of the pharmacological mechanism which they share in common. There are other drugs which have a similar mechanism of action and their neurotoxic potential is presently unknown. These drugs include cocaine, certain antidepressants (imipramine, desmethylimipramine, and amitriptyline), and even some antihistamines. All of these drugs are abused or used on a long term basis which might enhance any potential for brain damage. Thus, it is important to understand the mechanisms of action of a wide variety of designer drugs.

Toward this end, NIDA has been encouraging investigators to examine the neuropsycho pharmacological action of designer drugs including the neuropathological consequences of designer drug use.

Several grants have recently been funded and more applications in this area are anticipated in the near future. In addition, Designer Drug Neuropathology is specifically mentioned in a recent (January, 1987) Program Announcement, and a contract will soon be awarded to use tissue culture methodology to rapidly assess the toxicity, mechanism, and treatment potential for several of these designer drugs.

ALCOHOL AND PREGNANCY

Question. What research does NIAAA support on the effects of alcohol use during pregnancy on the health status of the fetus?

Answer. The NIAAA supports both human longitudinal studies and laboratory research on the effects of alcohol on the developing fetus. Through longitudinal studies, we are gaining a better understanding of the complex range of alcohol's effects on the fetus. Primary goals of this kind of research are to learn what levels of alcohol consumption pose a threat to the fetus, whether drinking during certain periods during pregnancy is especially risky, whether there are early signs that can predict later developmental deficits, and whether there are factors that can modify the effects of maternal drinking during pregnancy. Laboratory research is seeking to understand the mechanisms underlying alcohol's effects on the fetus, with a strong focus on alcohol's effects on the developing central nervous system. An understanding of the underlying mechanisms of alcohol's effects on the fetus could lead to better ways of treating alcohol-damaged infants and ways to prevent the damage from occurring. In FY 1986, $2.2 million in alcohol research funds were used for research on alcohol and pregnancy. We expect that research in this area will increase to approximately $4.0 million by FY 1988.

ALCOHOL AND NATIVE POPULATIONS

Question. What research does NIAAA support on the alcohol abuse problems and needs of Native Hawaiian, American Indian, and Alaska Native populations?

Answer. Currently the NIAAA is supporting two programs on American Indian and Alaska Native populations. The studies are primarily focused on the trends and correlates of alcohol use among youth in these populations. The NIAAA does not have any currently supported work on Hawaiian Natives.

In addition NIAAA participates in the Minority Scholar Program. A recent grant award will support an individual in identifying research needs, designing and developing research projects, and conducting research on alcohol use and abuse by Native Americans and Alaska Natives.

EFFECTIVENESS OF ALCOHOL TREATMENT APPROACHES

Question. What has been learned from NIAAA research on the relative effectiveness of various alcohol abuse treatment approaches?

Answer. NIAAA supports a wide-ranging grants program on alcoholism treatment which aims to elucidate the parameters upon which alcoholism treatment can be modified and enhanced. Research has shown that the effects of alcohol on behavior are a complex function of factors that include degree of intoxication, experience with alcohol, gender, individual differences in physiological responsiveness to alcohol, expectations about alcohol's effects, and the social setting within which drinking occurs.

Preliminary findings suggest that for the problem drinker, brief intervention treatments (1 to 2 hours) can be as effective as longer interventions when delivered in a timely and directive manner. NIAAA has learned that for some medically uncomplicated alcohol-dependent persons, outpatient treatment can be as effective as longer term, more expensive inpatient treatment. There is some growing evidence that alcohol abuse among the elderly is sufficiently different from that among younger abusers to warrant special programs tailored to them.

In addition NIAAA continues to focus on the special needs of adolescent alcoholics, and whether pretreatment factors can be used to predict success rates. Other studies have shown that the likelihood of relapse after treatment is positively related to the client's negative life events. Clarification of these variables will allow treatment to be tailored to the client's special needs and hence diminish the risk of relapse and thus enhance treatment success. NIAAA continues to study a range of treatments such as self-control strategies, education, developing alternatives to alcohol, and the setting of self imposed drinking limits.

The intramural research program has also been actively involved in the identification and testing of more effective treatment procedures. In addition to studies on such factors as the role of the family and of an individual's cognitive status in the therapeutic process, the selective use of pharmacological agents are being tested as a possible clinical aid in an intervention program to reduce excessive drinking. Earlier studies, reporting a diminished functional state of serotonin (a neurotransmitter) after heavy alcohol consumption, had suggested that a drug that would enhance serotonin neurotransmission might be of value in reducing alcohol intake. More specific assessments of such drugs are now being conducted. The results of these studies will provide a better understanding of the neurochemical phenomena involved in alcohol abuse as well as improved ways to prevent alcohol abuse and reduce its behavioral impact. It is of interest that recent findings also indicate that these drugs can significantly reverse memory deficits in alcohol-induced amnestic disorder (Korsakoff Psychosis), the second most common cause (after Alzheimer's disease) of Organic Brain Syndrome in the United States.

In FY 1986 NIAAA obligated $4,659,000 for treatment research and anticipates that $6,286,000 will be used for this purpose in FY 1988.

EFFECTIVE ALCOHOL ABUSE PREVENTION

Question. Based on NIAAA research, what are the most effective alcohol abuse prevention approaches? How can we evaluate these approaches?

Answer. There is growing research evidence that price increases in alcohol beverages can serve as an effective preventive and deterrent approach. In addition NIAAA research has shown that educational efforts for drunk drivers are less effective than license revocation. Measures to deter drunk driving may have more short-term impact, especially if the public perceives a great likelihood of being apprehended and given severe penalties for drunk driving. Occupational alcoholism programs have reported highly positive results and are being broadened into employee assistance programs offering counseling and referral services for alcohol abuse, alcoholism, and other problems that can be detected in the work place.

Server intervention, a newer approach to reducing the incidence of drunk driving and alcohol abuse, is being implemented in many communities and appears to have great potential for effectiveness. Community programs focused toward adolescents are underway and preliminary results are very promising. These intervention and educational programs may have a great impact on reducing the number of future alcohol abusers and also change adult attitudes about drinking.

Evaluating prevention programs is a most complex endeavor, and we are still learning how to do this appropriately. In an ideal situation one must provide an intervention to one community or setting, and compare it to another matched community or setting that has not received the intervention. However, matching is a difficult problem, given that we often are dealing with dynamic rather than static environments, and that we must be certain that the two settings are separate, yet comparable.

These approaches can only be evaluated by providing more rigorous scientific studies in these areas, and by supporting extensive longitudinal follow ups and replications of the studies already underway.

In FY 1986, $3,376,000 in NIAAA research funds was used for prevention research. It is anticipated that this will increase to $4,322,000 in FY 1988.

IMPACT OF CHANGES IN STATE MINIMUM DRINKING AGE LAWS

Question. What does NIAAA research show about the impact of changes in State minimum drinking age laws on alcohol-related traffic accidents?

Answer. Research indicates that lowering the minimum age for purchase of alcoholic beverages is associated with an increased rate of automobile crashers among young people. Conversely, increasing the minimum legal age for purchase of alcoholic beverages reduces the rate of automobile crashes among young people. Many of these studies focus on the experiences of Michigan, Maine, Massachusetts, New York, and Illinois.

Similar findings with regard to the impact of raising the minimum age were obtained in an analysis of the experiences of 13 States funded by the National Highway Traffic Safety Administration and a study published by the Insurance Institute for Highway Safety based on data for 26 States.

Many of these studies are described in the Secretary's Sixth Special Report to the U.S. Congress on Alcohol and Health.

It is our understanding that the General Accounting Office's recently completed review of the research literature on minimum drinking age also comes to similar conclusions.

ALCOHOL AND THE WORKSITE

Question. What research does NIAAA support on worksite alcohol abuse prevention and treatment programs? How do you evaluate the effectiveness of such programs?

Answer. NIAAA supports a wide range of research related to worksite programs. Studies are comparing the treatment efficacy of outpatient vs. residential treatment settings for alcoholic employees, the role of working vs. non-working spouses on the recovery rate of the alcoholic employee, the processes and procedures by which employee assistance program officials make referrals to treatment, and the process of reentry of the client into the work force. In addition studies are underway to systematically examine the value of aftercare and standardized follow-up procedures as part of the worksite treatment for the alcoholic employee. If such worksite-related follow-up and aftercare does indeed prevent relapse, both employees and employers will benefit. NIAAA is also examining the benefits of a standardized format for worksite programs as they provide treatment, prevention and follow-up for their alcoholic employees.

SAINT ELIZABETHS HOSPITAL TRANSFER

Question. What is the status of the plan for transferring the administration of St. Elizabeths Hospital to the District of Columbia and for the development of a comprehensive mental health services system for District residents? Are preparations proceeding according to the schedule mandated in P.L. 621?

Answer. The Final Mental Health System Implementation Plan required by P.L. 98-621 was completed and submitted to the District of Columbia City Council in the Fall of 1986. It was approved by resolution by the City Council on December 16, 1986. Transmittal of this Final Plan to appropriate congressional committees is eminent. Consistent with the provisions of this Plan, the District of Columbia Mental Health Services Reorganization Office (MHSRO), the Mental Health Services Administration (MHSA), and St. Elizabeths Hospital have all initiated activities necessary to achieve an orderly transition to the new D.C. Commission on Mental Health Services on October 1, 1987. Efforts to implement the Final Plan began in the Spring of 1986, immediately after submission of the Preliminary Plan. Highlights of our achievements to date are:

- Realignment of Inpatient Hospital Programs - Hospital Divisions were organized previously by geographic location of patient referrals; during the Summer of 1986 all programs were realigned along functional program lines, consistent with the Plan. Over 1,000 patients were moved, resulting in creation of all functional inpatient programs anticipated by the Plan.

- Realignment of Outpatient Adult Programs - Consistent with the Plan, the Area D Community Mental Health Center (CMHC) has already been reorganized to reflect the structure and programs required for adult regional centers. Reorganization of both North and South CMHCs operated by MHSA will be complete by the end of March.

- Creation of the Emergency Psychiatric Response Division - The Plan calls for a single capability, to be located centrally rather than at SEH - this has been accomplished with the opening of the EPRD on January 28th, at the South Center. This program now offers comprehensive crisis services, including screening of all potential Hospital admissions for alternative disposition.

- Expansion of Crisis Outreach Services - A principal goal of the Plan has already begun. Outreach visits by the MHSA have increased from approximately 30 per month in April, 1986 to over 130 in January, 1987.

- Expansion of Case Management Services - MHSA contracts for case management services have increased from 85 in FY 1985 to 434 in FY 1987. In addition to the direct publicly delivered case management services will increase from 150 to 200 in FY 1987 this caseload.

- Decline in Resident Census at SEH - The resident census at SEH has declined from an average of 1,661 in the Spring of FY 1986 to 1,514 in December, 1986.

- Placement of Nursing Home Patients in D.C. Village - In December, 40 patients in need of 24 hour nursing care were placed from SEH to D.C. Village Pursuant to a cooperative agreement between the facilities. In this agreement SEH provides staffing for the unit, while D.C. Village provides all necessary patient care support and facilities services.

- Consolidation of Inpatient Forensic Services - The current inpatient program for forensic patients operated at the Ugast Center is now being consolidated with the inpatient programs operated at the John Howard Pavillion of SEH.

- Transitions Workplans are Completed - Each area of responsibility within the Commission on Mental Health Services has a transition plan. These plans are being implemented now by responsible personnel from MHSRO, MHSA, and SEH.

- Appointments of Key Staff are Being completed - Candidates for key positions have been identified and the selection process is proceeding very rapidly. We hope to have identified most senior management staff for the Commission by April 1st.

- Personnel Actions are Being Prepared - Position descriptions for each position within the Commission are now being written and reviewed. A personnel implementation team has been established, staff from the Office of Personnel have been assigned to work on classifying positions full-time, and the classification process began in February. Capabilities to support and monitor personnel actions using automated data processing technology have been developed and are now being refined and integrated. Actual job offers should be extended to MHSA and SEH staff beginning in July.

- Automated Data Processing Services for SEH and MHSA have Been Integrated - Beginning in April, 1986, all ADP services for both MHSA and SEH have been converted to the same hardware and software configuration. Planning for ADP services to the Commission during the first three years of operation has been completed and necessary procurement documents have been prepared for processing.

- Training of Personnel, Financial Management, and Procurement Staff has Begun - SEH staff are being trained on District policy and procedure in these areas - training on general practices has been ongoing since last Summer and intensified training on specific functions will be implemented over the next several months. District managers have been meeting with these staff on a regular basis to identify and solve transition problems in administrative areas.

The progress described above provides ample evidence that preparations are proceeding according to the schedule mandated in P.L. 98.-621.

OUTPLACEMENT

Question. What progress has St. Elizabeths made in removing inpatients from the hospital to more appropriate accommodations in the community?

Answer. St. Elizabeths Hospital has made substantial progress in removing inpatients from the Hospital to more appropriate accommodations in the community. From January 1, 1982 through November 30, 1986, St. Elizabeths Hospital has placed a grand total of 5,976 inpatients into appropriate community settings. The community settings range from independent placements to nursing home placements, as indicated in the following table. These patients are also able to use the Hospital contracted day care services, such as transitional living, socialization and employment skills training when clinically appropriate. (Cost of these contracts exceeds $1 million a year.) Community day care programs, recreational services, etc. are likewise utilized. The Hospital maintains a continuous monitoring of the community outplacement and services used by patients on the Hospital's roll.

OUTPLACEMENT OF PATIENTS FROM SEH

Category & Age	1982	1983	1984	1985	1986	Total
Nursing Home:						
Over 60	69	77	118	54	105	423
Under 60	8	4	30	5	19	66
Total	77	81	148	59	124	489
Supervised Setting With Non-relative:						
Over 60	232	196	133	127	55	743
Under 60	216	238	203	211	140	1,008
Total	448	434	336	338	195	1,751
Family:						
Over 60	68	49	62	45	38	262
Under 60	359	341	397	653	444	2,194
Total	427	390	459	698	482	2,456
Cooperative:						
Over 60	3	2	3	2	1	11
Under 60	11	13	10	17	21	72
Total	14	15	13	19	22	83
Independent & With Non-Relative:						
Over 60	28	30	86	54	29	227
Under 60	94	185	150	299	242	970
Total	122	215	236	353	271	1,197

OUTPLACEMENT OF PATIENTS FROM SEH

Category & Age	1982	1983	1984	1985	1986	Total
Totals:						
Over 60	400	354	402	282	228	1,666
Under 60	688	781	790	1,185	866	4,310
Total	1,088	1,135	1,192	1,467	1,094	5,976

HOUSING FOR MENTALLY ILL

Question. How is the District succeeding in locating group home beds for chronically mentally ill persons and in helping those who can live semi-independently find apartments or family homes?

Answer. The Mental Health Treatment System will create more than 1,000 new supervised or supported living arrangements from 1987 to 1991, more than doubling the present capacity of 780 beds to 1,750. By 1988, 200 new group homes beds, 170 new supported apartments, and 20 new foster family placements will be created. Close to one-half of these new housing opportunities (140) will be available for patients currently inappropriately living at Saint Elizabeths Hospital. The balance of the planned residences will provide housing for 250 homeless and/or inappropriately housed patients in the community.

A Residential Services Unit has been established within the Mental Health System to recruit, with the District's housing authority, private agencies and group home operators, who will provide additional small to moderate-sized group homes and special apartment units for clients. The District's housing authority has earmarked $100,000 of loan funds in the Congregate Housing Program for FY 1987 and has provided a written commitment to mental health administrators to seek $400,000 in new District appropriated budget authority for each of the four years from FY 1988 to FY 1991. Thus, a total of at least $1.7 million will be available to fund a minimum of 100 new beds in supported or supervised group homes or cluster apartments. Increased access to other competitive programs is expected to produce a minimum of 20 additional beds. The Mental Health System will also have access to rental subsidies from the District's housing authority under the Tenant Assistant Program (TA) which is available under the set-aside program for the handicapped. All of these initiatives will enable the Mental Health System to reach its residential housing goals.

The Mental Health System's Residential Services Coordinator has been successful in locating both group homes and independent living situations by assuring that group home operators and landlords receive timely rental payments (including security deposits) and that the facilities are appropriately maintained by clients, as a result of the aggressive follow-up by case managers.

The Mental Health System has awarded contracts to non-profit agencies under the Supported Independent Living Program. Those programs range from residential placements for the clients in

Group Homes (Community Based Residential Facilities) which will move clients into appropriate independent living situations, to agencies that will directly place clients in apartments. In all of the programs aggressive case management will ensure that clients receive follow-up services wherever they reside in the District. Responsibility of case management is extended to those clients who opt to leave the residential setting established by the agency, including follow-up of clients living in shelters, on the streets or with families or friends.

As a result of the initiative listed above, a variety of additional residential resources have been added to the housing inventory. These include apartments, group homes and crisis residential care facilities. The new facilities are being utilized by the Supported Independent Living Contractors, SEH outplacements, clients living in shelters and those inappropriately living with families or friends. The following data includes the actual count of resources in all areas which are currently available as outplacement alternatives for individuals recovering from mental disabilities.

	Number of Beds
Licensed CRFs (Group Homes)	964
Community Based crisis Residential Care	27 Supported
Apartment Living (Non-Profit Agencies) 116	
Saint Elizabeths Hospital Community Housing	30
Section 8 Subsidized Apartments	55
New Housing Developed in 1986	
Apartments	103
New CRFs	33
CRFs in Partnership with Non-Profit Agencies (Partnership in Community Living Program)	92
Total Inventory	1,420

COST CONTAINMENT AND INCREASED REVENUE

Question. What improvements have been made at Saint Elizabeths over the past year in cost control measures, management of services delivered, and financial management practices? How successfully have such measures helped to increase independent revenues at the hospital?

Answer. Management staff at SEH have continually sought to control expenditures appropriate to its mission to provide high quality care and treatment to severely mentally ill persons. Specifically, automation of the Hospital's procurement, supply, inventory and position management systems has provided managers with the kinds of detailed information necessary to make timely decisions regarding cost containment. The fact that the Hospital's cost per patient has decreased by 3.3 percent demonstrated the effectiveness of these measures.

In addition, Hospital management has taken several steps to improve the cost efficiency and appropriateness of service delivery. During the past year, the Hospital has reorganized its Emergency Psychiatric Response Unit to provide more crisis resolution and decrease the need for hospitalization. Hospital wards have been realigned into five major clinical programs designed to provide better continuity of care and to return the patient to the community as soon as possible.

Further, the Hospital has increased its efforts both to assist patients in obtaining appropriate benefits and to collect receivables within a reasonable amount of time. As a result, Hospital management projects a 21.6 percent increase in independent revenues over the previous fiscal year (not including Federal or District Government Appropriations).

Questions Submitted by Senator Tom Harkin

ECONOMIC COSTS OF ALCOHOLISM

Question. Dr. Macdonald, what are the economic costs of alcoholism to this nation in terms of morbidity, mortality and lost productivity?

Answer. In 1983, alcohol abuse in the United States was estimated to cost $116.9 billion. Of this amount, $18 billion is attributed to mortality and nearly $71 billion is attributed to lost employment and reduced productivity. Health care for accidents and illnesses related to alcohol abuse, including alcoholism, liver cirrhosis, and diseases of the pancreas, was estimated to cost $15 billion. Other costs, including those attributed to alcohol-related crime and motor vehicle crashes, account for the balance of $13 billion.

ILLICIT DRUG ABUSE AND ALCOHOLISM

Question. Dr. Macdonald, what do you believe to be the number one drug threat in America today?

Answer. I wish it were so simple to designate the number one drug threat to America today. While there are many such threats--the wide spread use and ready availability of cocaine and crack; the continuing experimentation with alcohol, marijuana and other "gateway drugs" by our nation's youth; the use of heroin, PCP, designer drugs and other illicit substances; the wide spread abuse of legal substances such as alcohol--I think the greatest drug threat in America today is an attitude of acceptance of substance abuse as a part of our lives and our culture and a belief that abuse of alcohol and other drugs won't endanger our own children, spouses, other relatives and friends, or ourselves. It is this acceptance and tolerance of abused substances and abusers of substances that is the greatest drug threat to the American people.

Question. What percentage of your total budget do you spend on activities related to illicit drug abuse, and what percentage do you spend on activities related to alcoholism? Do you believe this is an appropriate percentage division?

Answer. In 1988, excluding funding for the block grant, ADAMHA anticipates spending 23% of its total budget for drug abuse activities and 15% for alcohol activities. Recently, drug abuse activities have increased dramatically due to both the Anti-drug Abuse Act of 1986 and increased research emphasis on IV drug use with respect to the transmission of AIDS. However, with respect to treatment via the block grant to states, approximately 50% of services funding is devoted to substance abuse in approximately equal percentages (25% each) for drug abuse and alcoholism. The ADAMHA percentages in funding levels were arrived at through careful Agency and Department review of research priorities.

Questions Submitted by Senator Lowell P. Weicker, Jr.

REAPPROPRIATION PROPOSAL

Question. Dr. Macdonald, I understand that like the proposal included in the National Institutes of Health budget, the Administration proposes to extend the availability of 1987 Alcohol, Drug Abuse and Mental Health dollars into 1988. And, until only recently, the Administration took it upon itself, to begin implementing this proposal without Congressional approval. Where would the $5 million dollar cut in 1987 funds come from under this proposal?

Answer. The $5 million in 1987 funds that are proposed for extended availability would come from each of the Institute's research mechanisms other than regular project grants. Research Centers, RSDAs, Small Grants, Cooperative Agreements, Contracts, and Small Business Innovation Research Awards. We believe this is a possibility in 1987 due to the extremely large increase in funding for new projects appropriated for these program mechanisms in 1987 - about $40 million compared to $10-12 million in recent years.

Question. Does OMB's direction to the Department to cease withholding NIH funds extend to your Agency?

Answer. Since ADAMHA does not have any policy to withhold funds, the OMB direction does not relate to this Agency.

Question. Do we have your assurance that the $5 million will be spent in accordance with the 1987 appropriations law?

Answer. This Agency can give you assurance that we will fully comply with the 1987 appropriation law. However, if the Administration's supplemental proposal for the reappropriation is favorably acted upon, will we carryover the $5 million into 1988.

CLINICAL TRAINING

Question. Dr. Macdonald, you propose cutting a $15 million dollar budget for Mental Health clinical training by a full $10 million dollars. While this is an improvement over last year's request to eliminate the funding entirely, why have you proposed such a large cut in this program?

Answer. The Administration philosophy has not changed; that is, the issue with mental health practitioners is one of distribution. In addition, we believe that the number of persons deciding to pursue a career of a mental health practitioner supports our premise that alternative sources of training support exist. Thus, we have proposed the orderly phaseout of the program.

Question. I understand that in 1986 the National Institute of Mental Health placed a high priority on funding new clinical training grants to prepare mental health professionals to provide treatment and rehabilitation services to chronically mentally adults and seriously emotionally disturbed children. Have you funded new grants in these areas in 1987?

Answer. Because of the scheduled phaseout in NIMH's clinical training program from FY 1986 to FY 1987, only continuations will be honored and no new awards will be made.

Question. Have you maintained the new projects that were funded in 1986 at their full continuation level?

Answer. It is still our belief that, after nearly 40 years of Federal support, the Clinical Training program has achieved its major goals of (1) increasing the supply of mental health professionals; and (2) encouraging the deployment of those professionals to areas of greatest need. A gradual phase-out was proposed this year in order to assure that the program is terminated in an orderly manner, and to further assure that the Congressional directives which accompanied the FY 1987 appropriation will be carried out. To this end, some 1986 projects will not be continued, and others will be reduced by various, carefully chosen, amounts.

Question. How will your budget request effect these and other clinical training grants?

Answer. As a part of the administration plan for the phaseout of NIMH clinical training, the $5 million requested for FY 1988 would permit continuations at various reduced levels of the grant commitments made in FY 1986.

HOMELESS

Question. Does your budget request include funds for the Homeless Mentally Ill? Please explain.

Answer. Currently, the President's Budget includes $6,713,000 in NIMH for the homeless mentally ill. Approximately $5 million will be for service demonstration projects to States, of which $2.3 million will support 14 continuation grants and $2.7 million will support 11 new grants. $1 million will be used for 7 new demonstration grants that focus on the child mental health problems among the homeless. Research on mental health services to the homeless mentally ill makes up the balance.

DEPRESSION

Question. Dr. Macdonald, I read recently that researchers have located a gene that triggers a form of depression. What can you tell us about this discovery?

Answer. In two recent editions of the Journal, Nature, independent reports appeared from two teams of researchers providing evidence for single-gene transmission of bipolar affective illness or manic depression. Both studies used a genetic method of linkage analysis to evaluate the degree of association between patterns of illness observed in members of large extended families and markers obtained from a particular chromosomal region. Neither study has as yet identified the specific gene responsible for the disease in the families, although such identification is a next step involving the use of specific gene probes and sequencing of DNA in the chromosomal region of interest.

In one study, linkage of bipolar disorder was found to genetic markers on chromosome 11 in an Amish pedigree. In the second study, sex-linked transmission was found to markers on the X chromosome in Israeli pedigrees of Sephardic origin. Finally, there were also two reports of chromosome 11 linkage in non-Amish families.

These findings are very important since they provide evidence that a strong genetic predisposition may be responsible for a debilitating form of mental illness that affects between one and two million Americans. Differences among the studies in their findings suggest that bipolar disorder may have a number of different genetic causes, so that a factor that triggers the disease in one family may be different genetically from a factor in another family with the same or similar clinical illness. This makes it important that a large number of families be obtained and analyzed, so that the generality of findings obtained in one group can be tested in a large number of other groups.

Question. Was this research funded by NIMH?

Answer. NIMH has been deeply involved in this research. Two of them, the Amish study and the study reporting the X-chromosome finding, were supported by NIMH Extramural Research Grants, The study which reported the negative chromosome 11 linkage was completed by researchers in the NIMH Intramural Research Program.

Question. How much of the NIMH Research Budget is devoted to research on manic depression?

Answer. In FY 1987, the Institute expects to spend approximately $27.4 million on research dealing with depression and manic depressive illnesses. Of this amount, approximately $4.36 million is specifically devoted to manic depression. In FY 1988, the amount proposed for research on depression and manic depression is $25.1 million.

ALZHEIMERS

Question. Dr. Macdonald, how much does your budget include for research on Alzheimer's disease?

Answer. Under the President's proposal for FY 1988, we would spend $9.1 million on Alzheimer's disease.

Question. What impact will the recent breakthroughs in understanding the nature of the disease have on your research activities?

Answer. As a result of new research developments we are expecting major growth in research seeking to identify positive diagnostic markers for Alzheimer's as well as research in family factors and heritable transmissions.

YOUTH SUICIDE

Question. What research activities has NIMH undertaken regarding youth suicide?

Answer. NIMH has undertaken the following research activities regarding youth suicide:

- Grant Support. NIMH currently supports nearly $1.6 million in suicide research, of which $918,584 is specifically concerned with youth suicide. These grants are focussed on youth suicide, contain a substantial suicide component, or study subjects under the age of 25.

- Staff Research. Staff research on youth suicides indicates that the recent increase in adolescent suicides is primarily accounted for by the increase in firearm suicides among young males. It was previously believed that rates for 20-24 year olds had begun to decline, but the most recently available data indicate that rates for all three age groups studied, 10-14, 15-19, and 20-24 year olds, have continued to climb since the 1950s. Staff are currently analyzing from NIMH Epidemiologic Catchment Area Study for information on suicide ideators and attempters, with special focus on the 18-24 year olds. Results of the analyses will be disseminated to the field.

- Workshop. In keeping with the recommendations of the Secretary's Youth Suicide Task Force, NIMH is sponsoring a workshop in the spring for the purpose of addressing methodologic issues in research strategies for studying suicide and suicidal behavior. One potential outcome of this workshop will be improved research study designs.

- NHANES-III. NIMH will participate in the NCHS-sponsored Third National Health and Nutrition Examination Survey (NHANES-III). One important objective of our participation is to obtain, for the first time, an estimate of the prevalence of suicidal ideation and attempts in a national probability sample of the U. S. population, with particular interest in youth. The structure of the survey will permit long-term followup of suicide ideators and attempters, as well as persons with psychiatric disorders, to determine which of them die by suicide.

- Videodisc. NIMH has pioneered the use of an interactive videodisc as a teaching tool for medical students in identifying and treating young people who are at risk for suicide.

Question. Have you requested funds for research in this area for FY88?

Answer. The FY 1988 President´s budget includes research funding for Youth Suicide in both the Child and Adolescent, and the Depression programs.

DRUG ABUSE INITIATIVE

Question. Dr. Macdonald, I can appreciate the need to ensure that states are able to absorb a significant increase in drug treatment and prevention funds. However, rather than splitting the money essentially in half, and spending it over two years for most of the programs, was any thought given to providing as much as possible in FY87 and requesting additional funds in FY88 to maintain a maximum drug treatment and prevention effort?

Answer. While we would like to provide as much of the funding in FY 1987 as possible, we felt it more important that we not sacrifice quality by rushing the planning and execution process. We realized that both the time required for planning and competitively advertising and awarding grants and contracts would delay actual funding until possibly July, 1987; however, we felt this policy necessary to assure funding the highest quality applications and developing programs targeted to specific areas where the initiative monies could be most effective. Due to the timing of the awards, we chose to fund all grants and awards for not only the remaining months of 1987 but also include full funding to continue the effort through 1988. This policy would ensure that the high-quality treatment and prevention programs initiated in 1987 would be maintained through 1988. As a result, we felt a request for additional funding in 1988 was unwarranted. With regard to the block grants to the states, these monies will not be completely obligated until half way through 1987 due to the complexities of the new distribution formula. Since most states will not actually utilize the funds until at least late this fiscal, additional resources should not be necessary until consideration in the 1989 budget.

Question. Couldn´t some of the new initiatives absorb more than half the amount appropriated in FY87?

Answer. Yes, that is certainly a possibility, but rather than get the funds out quickly, we felt it more important to ensure effective utilization of these funds by carefully planning, developing, and targeting programs to areas where the need is greatest. This drug abuse problem is not simply a matter of spending more money.

Question. If you were to spend all the FY 87 drug initiative in 1987, how would you spend it?

Answer. Despite the several months required to plan the programs and competitively advertise the proposed grants and contracts, we fully anticipate that all the funds provided under the substance abuse initiative will be obligated by the end of FY 1987.

AIDS

Question. Dr. Macdonald, what is your budget request for AIDS?

Answer. The FY 1988 budget request for AIDS is $54,417,000.

Question. How much of an increase is that over this year's appropriation?

Answer. This represents an increase of $6,864,000 or 14.4% over the 1987 appropriation of $47,553,000.

Question. How will this money be spent?

Answer. ADAMHA's 1988 AIDS funding request will support research, health education, and information dissemination projects, many of which were either initiated or expanded as a result of the substantial increase of funding in 1987. This includes the following efforts.

- In NIMH, research focused on the neuropsychiatric and psychosocial aspects of AIDS, ARC, and HTLV-III infection; studies on the relationship between psychological status and immune function; development of measures to assess the correlation between immunological and neuro-psychological status and changes in high-risk behavior patterns and lifestyles. NIMH will also continue and expand existing research dissemination and prevention activities;
- In NIDA, research in the areas of epidemiology, immunology, and co-factors of HTLV-III disease; continued implementation of a demonstration program focusing on effectiveness of various strategies for preventing the spread of AIDS virus among the drug-using population; enhanced research dissemination activities; and provision of on-site technical assistance to drug abuse treatment communities;
- In NIAAA, expansion of both extramural and intramural research on the role of alcohol consumption as a potential co-factor in AIDS,continued efforts on a prospective longitudinal epidemiologic study of seropositive but currently asymptomatic individuals; and continued ongoing health education/information dissemination activities.

ANTI-GAY VIOLENCE

Question. There have been reports recently that incidents of anti-gay violence appear to be increasing. Some speculate that this increase is associated with a fear and, in some cases, a hatred of the AIDS epidemic. Whatever the motivation by whoever is causing the violence, psychologists tell us the violence can have very serious mental health consequences for the victims. Has NIMH conducted any studies on this issue?

Answer. Although the NIMH has not supported research specifically directed to anti-gay violence, one of the Institute's supported researchers is collecting questionnaire data on the extent to which gays report physical violence. The New York City Gay and Lesbian Project reports that 25 percent of the assaults on gays include verbal comments about AIDS. To date, NIMH has not received any applications dealing with this issue.

Question. Do you have any plans to study this problem?

Answer. NIMH would welcome the receipt of applications. It would also be appropriate for the Institute to stimulate research on the precursors and consequences of such violence by supporting a conference that focused on anti-gay violence. Participants would include researchers in other aspects of violent behavior communicating with researchers on AIDS and gay issues, as well as gay community leaders.

Question. If so, will you coordinate your efforts with those who study criminal justice issues?

Answer. We will coordinate our efforts with all those researchers whose studies impact on the issue as well as those who are investigating criminal justice issues.

HEALTH RESOURCES AND SERVICES ADMINISTRATION

STATEMENT OF DAVID N. SUNDWALL, M.D., ADMINISTRATOR

ACCOMPANIED BY:

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WILLIAM BELDON, OFFICE OF BUDGET, DEPARTMENT OF HEALTH AND HUMAN SERVICES

OPENING STATEMENT

Senator CHILES. The subcommittee will now consider the budget request for the Health Resources and Services Administration.

Appearing before the subcommittee for the first time is Dr. David N. Sundwall, Administrator of the Health Resources and Services Administration. Before he assumed his duties as Administrator last year, Dr. Sundwall served as staff director for the Senate Committee on Labor and Human Resources for 1 year and was physician-advisor to that committee for 4 years. He currently is cochairman of the Secretary's task force on medical liability and malpractice. We welcome you to the committee this morning, Dr. Sundwall.

The Health Resources and Services Administration administers several programs that address the delivery of health care services to mothers and children and to medically underserved populations; improve the education, training, and placement of health care professionals; and improve and coordinate the development of health resources.

The committee is deeply concerned with the Agency's proposal to cut $173 million from the Health Professions Program. We also are concerned with the zero request for the Organ Procurement and Transplantation Program. We look forward to discussing these and other issues with you this morning.

Dr. Sundwall, if you would introduce your colleagues and proceed with an oral summary of your opening remarks.

INTRODUCTION OF ASSOCIATES

Dr. SUNDWALL. Thank you, sir.

To my far right is Bill Beldon. He is representing the Office of Management and Budget for the Department of Health and Human Services. Next to him is Dr. Daniel Whiteside. He is Director of the Bureau of Health Resources Development.

To my immediate right is Dr. Ed Martin. He is Director of the Bureau of Health Care Delivery and Assistance. To my left is Mr. Jim Walsh, and he is the Associate Administrator for Operations and Management for the Health Resources and Services Administration. To his left is Mr. Thomas Hatch, who is Director of the Bureau of Health Professions.

Mr. Chairman, I am pleased to be here today and I want to compliment your staff, Mary Malaspina, for coming out to the Health Resources and Services Administration and spending some time to learn what we are all about. I appreciate her taking the time and effort to do that. Senator Weicker's staff I know from my previous work in the Senate, and appreciate the thoughtful and careful attention they have given to this account over the years.

As you know, our Agency is a broad and complex one with a whole range of programs, most of them devoted to health care for the underserved. We have such a range it kind of boggles your mind. It includes everything from AIDS demonstration programs to organ transplantation to helping facilities obtain loans for hospitals. This broad range of activities makes the place fascinating to me and I think of great importance in public health.

The overlying principle of our activities is really to get more health care to people in a more efficient way. I think we have achieved those goals in an admirable way over the past few years. Clearly we have some successes to point to with satisfaction. We have been able to serve more people through our community health centers over the past few years with fewer resources, and, in fact, we have been able to encourage their self-sufficiency through enabling them to obtain more third party funding.

We also have been able, through the successes of our Health Professions Program, to decrease the number of primary medical shortage areas in this country. It is estimated they have declined by approximately 11 percent since 1983. The numbers of providers needed to serve them is obviously going down as well.

The family practice programs, which are of special importance to me personally, have been very successful. Almost one-half of the graduates of family practice residencies locate in communities of 25,000 or less. Many of those graduates are women and minorities, and we are proud of these accomplishments.

We are focusing on geriatric medicine, providing training of health professionals to serve our elderly population. We also are focusing on treatment of alcoholism in our family medicine residencies.

Our 1988 budget, as you know, is $1,106,977,000 and 2,020 full-time equivalent employees. These resources will help us conduct a whole range of programs, some of which I have alluded to, but specifically what we hope to do in 1988 is to continue our block grants to States for maternal and child health programs to help mothers and children, and to support community health centers, migrant health centers, and black lung clinics.

We want to continue our National Health Service Corps Program, provide treatment at the Gillis W. Long Hansen's Disease Center and in Hawaii for the treatment of Hansen's disease, to continue support for family medicine residencies and departments of family medicine, to continue some initiatives in geriatric medicine, to expand our AIDS Program through our education and training centers, and to continue to monitor the loan portfolios for medical facilities and student assistance and to monitor and manage the Health Education Assistance Loan Program.

PREPARED STATEMENT

Mr. Chairman, I would be happy to answer at this time any questions that you might have and hopefully with the help of my bureau directors give you the information you need.

[The statement follows:]

STATEMENT OF DAVID N. SUNDWALL

This is the first time I have presented a budget to this Committee, and I appreciate the opportunity to appear before you today to discuss the fiscal year 1988 budget request for the Health Resources and Services Administration. As you are aware, Mr. Chairman, this budget excludes the Indian Health Service, which is reviewed by the Subcommittee on the Department of the Interior and Related Agencies.

The Health Resources and Services appropriation consists of health services, health professions, student assistance, organ transplantation activities, AIDS education and training centers and demonstration projects, and medical facilities programs. During the past calendar year, the Secretary has transferred nursing research activities to the National Institutes of Health (NIH) and the Health Maintenance Organization program to the Health Care Financing Administration (HCFA). We are also proposing for fiscal year 1988 that the Family Planning budget activity be included in the request for the Office of the Assistant Secretary for Health.

Since its creation in 1982, one of the principal objectives of the Health Resources and Services Administration (HRSA) has been to improve the overall management of the programs it administers. The twin goals which lay behind this objective were to improve the delivery of services to the public and to reduce the overall costs of delivering these services. We believe that we have made significant progress in meeting our objective and in achieving our goals. Even after adjusting for program terminations, reorganizations and shifting priorities in the health manpower area, I can say that we are providing significantly more services to a larger population with a higher level of quality using fewer administrative resources than we were at the time of the inception of the Health Resources and Services Administration. I should add that our efforts to improve management apply not only to the activities of our own staff within HRSA, but also to the grantees, contractors, schools, hospitals and other entities through whom we accomplish most of what we do. We have been requiring improved management practices from them, and generally our requirements have been met. In the coming months and years we shall continue our efforts to improve the management of our programs for the benefit of the citizens we serve and the taxpayers who support us.

The fiscal year 1988 budget request for Health Resources and Services is $1,106,977,000 and 2,020 full-time equivalent (FTE) employees. Included in this request are funds for: block grants to States to provide health services to mothers and children; categorical grants for primary care services through Community Health Centers, Migrant Health Centers and Black Lung Clinics; the health care programs of the National Health Service Corps; operation of the Gillis W. Long Hansen's Disease Center; Federal payment to Hawaii for treatment of persons with Hansen's disease; support of primary care training under the family medicine residencies and family medicine departments programs; the geriatric/long term care initiative under the Health Professions Special Educational Initiative program; expansion of the AIDS Education and Training Centers program; monitoring the medical facilities and student assistance loan portfolios; and management of the Health Educational Assistance Loan program.

Health Care Delivery and Assistance

In 1988, $478,000,000 is requested for the Maternal and Child Health Block Grant, the same amount as appropriated in 1987. These funds will provide consolidated grants to each of 57 States and insular areas to provide a broad range of health services, including preventive care, primary care and rehabilitative services to mothers and children. Funds are allocated on a pro-rata percentage system. In addition, funds are provided for special projects of regional and national significance.

The Primary Care categorical programs include Community Health Centers, Black Lung Clinics and Migrant Health Centers providing health care services to more than six and one-quarter million medically underserved persons. The 1988 budget request provides $400,000,000 for grant awards to 565 grantees for Community Health Centers serving 5,700,000 clients; $3,400,000 for 14 grantees to provide health care treatment to 47,500 victims of black lung disease at 58 delivery sites; and $45,400,000 for care and treatment of 510,000 migrants and seasonal farmworkers through 122 Migrant Health Center grantees.

The 1988 budget request of $43,163,000 for the National Health Service Corps will support a total end-of-year field strength of 2,474 physicians and other health professionals, including 361 federally salaried assignees. Some 425 scholarship obligors will be available for service for the first time. Of these, it is estimated that 100 will elect to serve in private practice settings and 170 will choose to serve in private placement settings. About 155 will become Federal employees -- 45 with the National Health Service Corps and 110 with the Indian Health Service.

The National Health Service Corps has helped communities obtain qualified health providers by giving students scholarships with a commitment to work later in an underserved area, and through the recruitment of volunteers. This assistance and placement effort complemented other Federal, State and private programs which were aimed at expanding student enrollment in medical schools in order to correct the national shortage of health care providers in the 1960's and early 1970's. In view of the success of these efforts and the continuing growth of the number of practitioners, the National Health Service Corps will begin phasing down the placement process in 1988. The obligated students in the pipeline built up during the 1970's will be fully placed by 1990/1991.

The budget request includes $19,057,000 for the continuation of patient care, medical education and research activities at the Gillis W. Long Hansen's Disease Center and for Hansen's disease contract patient care. Also requested is $750,000 for routine recurring repairs and improvements to facilities at the Gillis W. Long Hansen's Disease Center at Carville, Louisiana, and $3,300,000 for payments to the State of Hawaii to partially support the cost and treatment of persons with Hansen's disease.

Health Professions

The fiscal year 1988 budget requests $30,500,000 for health professions education. We propose to fund programs which will enable us to focus on continuing support for family practitioner training and serving the needs of the elderly. The fiscal year 1988 budget requests $21,300,000 for the Family Medicine residencies program to address the continuing shortage of family practitioners. Funding of this program has resulted in almost half of its graduates locating in shortage and rural areas; a significantly higher proportion of women and minorities trained; and an increase in curricula content in geriatrics, gerontology and alcoholism treatment. The funds requested will enable 168 projects to support 3,539 residency positions. Another $5,000,000 is requested to establish, maintain, improve and strengthen family medicine departments to make them comparable to other medical specialty departments.

The fiscal year 1988 request also proposes $4,200,000 for Health Professions Special Educational Initiatives. This program funds special high priority health professions projects of national importance. In 1988, 14 geriatric/long-term care training projects will be supported to train health professions faculty and practicing health professionals in multidisciplinary settings to treat the special health care needs of the elderly.

We are proposing this limited and targeted approach in recognition of the general surplus and improved geographic distribution of the national supply of health care practitioners, resulting in increased access and equity of services for rural and urban underserved populations. For example, there has been a decrease of approximately 11 percent in the number of primary care health manpower shortage areas between December 1983 and December 1986 and a 28 percent decrease in the number of primary care physicians needed in these areas to bring them above the threshold for designation. In 1970 there were 9,500 graduates from medical school; in 1990 the graduation level will be nearly 18,000. Nursing schools graduated over 46,000 students in 1970; in 1990 this number is estimated to be 74,000. Similar growth has occurred in all health professions. Much of this success was due to Federal support to build an infrastructure that should continue into the future.

We will continue to administer the Health Education Assistance Loan program, the Student Loan Insurance Fund, the Health Professions and Nursing Student Loan revolving funds and debt management and collection activities. Our stewardship includes aggressive efforts to improve loan collections, reduce default rates and, when necessary, litigate to recover government assets. Last summer we required schools of nursing to meet the same stringent loan collection criteria previously demanded of health professions schools and our efforts are showing significant results.

The budget requests authority to guarantee up to $100,000,000 in loans under the Health Education Assistance Loan program, which, combined with the cumulative Federal contributions to health professions and nursing student loan funds, will make $167 million available for student aid in 1988. We have recently published regulations and will propose legislation to stabilize the loan guarantee fund and strengthen lending procedures.

Health Resources Development

Resources development activities include expansion of the Acquired Immune Deficiency Syndrome (AIDS) Education and Training Centers; administration of AIDS demonstration project grants; management of organ procurement and transplantation activities; provision of facilities engineering services; monitoring approximately $1.0 billion in outstanding health facility loans and loan guarantees in order to minimize Federal default liability; and ensuring that facilities which previously received Federal funding comply with requirements to provide a reasonable level of uncompensated care to persons unable to pay, estimated at about $500 million annually.

The fiscal year 1988 request includes $6,600,000 to expand the AIDS Collaborative Education and Training Centers by 7 additional projects, to a total of 10. These 10 centers will train about 12,000 health care professionals per annum in the care and treatment of AIDS patients. Public education efforts will continue to be a function of the Centers for Disease Control.

Program Management

Finally, the fiscal year 1988 request includes $76,707,000 for program direction and management services for all of the operating programs of the Health Resources and Services Administration. This is the first time we have asked for these funds as a single activity, although Congress has appropriated them to us this way for the past two years. These funds provide for direct operations of the three bureaus under the purview of this Committee as well as for agency-wide management activities, including those which pertain to the Indian Health Service.

Thank you for providing me with the opportunity to summarize the Health Resources and Services Administration budget for 1988.

Mr. Chairman and members of the Committee, my associates and I will be pleased to answer any questions you may have on the specifics of this budget request.

BIOGRAPHY OF DAVID N. SUNDWALL

BIRTHPLACE :	Murray, Utah
DATE OF BIRTH:	May 22, 1941
EDUCATION :	University of Utah, B.A., 1966 University of Utah, College of Medicine, M.D., 1969

Resident Training:
Straight Medicine Internship
New England Deaconess Hospital
Boston, Massachusetts
July 1969 - July 1970

Harvard Family Medicine Program
Boston, Massachusetts
July 1970 - June 1973

Specialty:
Internal Medicine, Board Certificate, June 1974
American Board of Family Practice, Board Certified, October 1974, Recertified, October 1980

PROFESSIONAL ACTIVITIES

1. August 1986 - Present
   Administrator
   Health Resources and Services Administration
   Public Health Service, Department of Health and Human Services

2. March 1981 - July 1986
   Physician Advisor
   U.S. Senate Committee on Labor and Human Resources, Majority Staff

3. July 1975 - July 1977, May 1978 - February 1981
   Associate Professor
   Assistant Professor, Department of Family and Community Medicine,
   University of Utah, College of Medicine

4. September 1977 - April 1978
   Assistant Professor
   Division of Ambulatory and Community Medicine
   University of California at San Francisco

5. August 1973 - June 1975
   Private Practice
   Murray, Utah

PUBLICATIONS

Kane RL, Leigh EH, Feigal DW, Sundwall DN, Farney M: A Method of Evaluating Patient Care and Auditing Skills of Family Practice Residents. Journal of Family Practice 2(3):205-210, 1975

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Sorenson AW, Selser R, Sundwall DN: Primary Cancer Prevention as an Attainable Objective for the Elderly, in Prevention and Treatment of Cancer in the Elderly, (New York: Raven Press, 1983)

HEALTH PROFESSIONS

Senator CHILES. Thank you.

Doctor, last year the administration proposed no funding for health professionals, and again last year the Congress appropriated $209.9 million for health professionals education. As you know, this included funding for many health specialties, including general internal medicine, pediatrics, physician assistants, and nurses.

This year we see something new. You are requesting funding of $37.1 million for selected health professions, specifically those specialties including family medicine, geriatrics training, AIDS training, and health care providers. Those certainly sound like high-priority areas for me. However, I would like some additional information.

What are the justifications for selectively funding health care professions, and how does the Agency determine which health care professionals to fund?

Dr. SUNDWALL. There has never been a more effective Federal program than our health professions training efforts over the years. Congress decided in the late sixties that we really were suffering from a deficit of health professionals around the country and over the years invested heavily in training not just physicians but dentists and nurses and allied health professionals—a whole range of folks.

By conservative estimates, in almost every discipline we have more than doubled the number of health providers. In the aggregate we feel as if there are enough physicians in the country. There are enough nurses in this country. There clearly seem to be ongoing problems in geographic maldistribution that can best be solved, we believe, by training family physicians. They are the ones who by their behavior in the past have gone out to work in more underserved areas and can provide the care that still seems to be lacking.

I think that the Federal role in training health care professionals truly has changed because we have been so successful in past investments.

CONTINUED SPECIALITY SERVICE

Senator CHILES. What steps do we take in these funding provisions to see that those family care physicians stay there, that it is not the way that they get their degree and then move just to their specialty from there?

Dr. SUNDWALL. Well, that is an interesting question, because I have been concerned in years past when I actually ran family medicine residency programs both in Utah and California that we would have attrition, that people would be attracted into more lucrative fields or would not locate in rural or underserved areas.

I think that the good news is that the data does not show this happening in family medicine any more than in other specialities. Surprisingly, radiologists and dermatologists get wanderlust, if you will, and decide they want to go into other disciplines on occasion. But most family doctors do stay in that field. There is also a good bit of evidence to suggest that they go to rural and underserved areas and they are pretty content with their field.

Senator CHILES. Well, are there any provisions that they go to those rural areas and they serve a certain period of time?

Dr. SUNDWALL. There are no strings attached to our support for residency training programs. There are strings attached in the National Health Service Corps Program, of course, an obligation that they serve when we pay their educational costs for medical school. If a resident receives support through our programs for his postgraduate training, there is no Federal obligation to serve in a shortage area.

Senator CHILES. What do you think about whether there should be some obligation?

Dr. SUNDWALL. Well, I guess being a good Republican I would prefer not to regulate their behavior. I would prefer that we go on their past accomplishments and trust that they are going to locate in underserved areas.

Senator CHILES. Being a good Democrat and wanting to see that we get our money's worth, you know, and that we target the area that we are paying those tax dollars for, you know, do we need to do that, though?

Dr. SUNDWALL. There is no evidence that would persuade me that we need to regulate the residents that we support. If, in fact, a large number of them were choosing to become——

Senator CHILES. Do you know whether they are?

Dr. SUNDWALL. I can provide information for the record. I believe we have information that would help persuade you that we do not need to regulate where family practice residents locate and practice.

[The information follows:]

AMERICAN ACADEMY OF FAMILY PHYSICIANS

REPORT ON SURVEY OF 1986 GRADUATING FAMILY PRACTICE RESIDENTS

The total number of graduates surveyed was 2,306. Of this number 1,868 (81 percent) responded. Of these respondees, 1,861 indicated the type of practice arrangement and 1,595 specified the size of the community in which they plan to serve. A summary of the results as of July 1986 follows.

The data from 1977, 1978, and 1979 has been reanalyzed to conform with the 1980-86 statistics. Caution must be exercised in comparing data previous to 1977 because of changes made to data analysis. However, the revised 1977-79 data may be directly compared with the 1980-86 data with confidence.

PRACTICE ARRANGEMENTS OF 1986 GRADUATING RESIDENTS

Type of practice arrangements	Number of reporting grads	Percentage of total reporting grads
Family practice group	457	24.6
Multispecialty group	202	10.0
Two-persons family practice group (Partnership)	277	14.9
Solo	191	10.3
Practice (arrangement not specified)	78	4.2
Military	139	7.5
Teaching	37	2.0
USPHS	185	9.9

PRACTICE ARRANGEMENTS OF 1986 GRADUATING RESIDENTS—Continued

Type of practice arrangements	Number of reporting grads	Percentage of total reporting grads
Emergency room	82	4.4
Hospital staff	25	1.3
Research	8	.4
Administrative	0	.0
Further training	32	1.7
Fellowship	53	2.8
None of the above	95	5.1
Total	1,861	100.0

DISTRIBUTION OF 1986 GRADUATING RESIDENTS BY COMMUNITY SIZE

Character and population of community	Number of reporting grads	Percentage of total reporting grads	Cumulative percentage of total reporting grads
Rural area or town (less than 2,500) not within 25 miles of large city	153	9.6	9.6
Ruiral area or town (less than 2,500) within 25 miles of large city	65	4.0	13.6
Small town (2,500–25,000) not within 25 miles of large city	321	20.1	33.7
Small town (2,500–25,000) within 25 miles or large city	218	13.7	47.4
Small city (25,000–100,000)	264	16.6	64.0
Suburb of small metropolitan area	63	3.9	67.9
Small metropolitan area (100,000–500,000)	170	10.7	78.6
Suburb of large metropolitan area	183	11.5	90.1
Large metropolitan area (500,000 or more)	119	7.5	97.6
Inner city/low income area (500,000 or more)	39	2.4	100.0
Total	1,595	100.0	

REIMBURSEMENT OF SPECIALISTS

Senator CHILES. Within the limited funding resources available in fiscal year 1988 why have good Republicans decided we are going to target some of these rather than just saying we are going to leave it wide open and let the market decide where they should go?

Dr. SUNDWALL. Well, sir, I think that part of the reason why you cannot rely just on market forces for the family doctor is our reimbursement system. In market forces there are an awful lot of incentives to have a person pursue a speciality where the reimbursement is so much higher. Whether it is a subspecialty in internal medicine or surgery, their economic opportunities are greater, and that has clearly been a problem, because primary care physicians, whether general internists or pediatricians or family practitioners, do not have the earning potential that the subspecialists have.

So I think until there is more of what I call a level playing field in reimbursements for the physicians that are in practice there is an appropriate role for encouraging training in the primary care specialities.

Senator CHILES. Well, the logic of that sounds very strong to me, but there is not a level playing field as to where residents should go in regard to whether they should go to rural areas, where they are going to make less money as opposed to lucrative areas.

Dr. Sundwall. That is right. There is still a differential in Medicare payments which favor urban over rural areas, as I understand.

Senator Chiles. But the logic is not persuasive to you there that we need to do something?

Dr. Sundwall. Well, it is impressive to me but I do not have any ability to change the reimbursement mechanism. I am afraid that is in the Health Care Financing Administration.

ADVANCED DEGREE NURSE TRAINING

Senator Chiles. I read in this past Tuesday's Wall Street Journal that United States hospitals are looking overseas to Canada, the Philippines, England, and Ireland to recruit nurses to remedy a current shortage. In fact, the American Hospital Association says that 14 percent of registered nursing positions at 1,000 hospitals were unfilled in December, up from 6 percent 1 year before.

In the 1986 report to Congress on the status of health personnel the Department of Health and Human Services projected by the year 2000 the need for nurses with advanced degrees would be approximately 515,000, while only 171,000 would be available.

Furthermore, as a result of the Medicare prospective payment system nurses are caring for patients who are sicker and who are in need of more intensive nursing care, and hospitals need nurses with advanced degrees.

Last year we appropriated $53.3 million for nurse training. Once again this year you are requesting no funding for nurse training. What data do you have to support eliminating funding for advanced degree nurses?

Dr. Sundwall. Well, again it has to do with our estimation, based on surveys and studies we do, that in the aggregate there is an adequate supply of nurses in this country. We estimate that there will be an increase from 1.2 million in 1984 to 1.45 million in 1990, and by the end of the century, if we continue to train them—we will have 1.75 million.

Senator Chiles. We are talking about advanced degree nurses and the need for them.

Dr. Sundwall. Well, again I am looking at aggregate numbers of nurses, and the supply seems to be sufficient in the general population. I believe what you alluded to the Medicare prospective payment system is really a problem, and that the hiring practices of nurses has changed. There is a problem because nurses are choosing not to work in hospitals even if they are available, and that seems to me to be salary scale problems, benefit problems, day care problems.

I do not believe that it is a training problem. There is no evidence that we do not have well-trained nurses. In fact, there are 1,400 plus nursing schools in this country that are still educating nurses and turning out increasing numbers. The problem is their opportunities for work do not seem to attract them.

Senator CHILES. That sounds like the same problem we had with doctors—overall in aggregate numbers we would appear to have enough doctors. We do not have enough in certain of these areas—geriatric and family physicians—and so we have decided we are going to turn on the spigot a little and increase those numbers.

Don't we have that same thing with advanced degree nurses? We have got enough aggregate numbers of nurses, but we do not have enough with the advanced degrees and special skills.

Dr. SUNDWALL. I guess it is simply a difficult decision based on budget priorities.

ORGAN TRANSPLANTATION

Senator CHILES. We have heard the President on radio and television asking the Nation for organ donors for small children who will die without transplants. On several occasions he has made a national plea to match donors with recipients. Yet when we examine the budget request for 1988 we find there is no funding to continue the program that Congress has started to do this actual thing.

Currently the Federal dollars in the Organ Procurement and Transplantational Program support four functions—one, a comprehensive network to coordinate the activities of transplant candidates and donors; two, a scientific registry of transplant recipients; three, a grant program for organ procurement organizations; and, four, an education program to address the need for organ donations.

The Congress provided $2.9 million in fiscal year 1986 and $7.4 million in 1987 to support these efforts. That sounds like a pretty good start to organize and coordinate this program. Yet the administration remains reluctant. In fact, it did not award the contract for the network until last September 30.

And now you are not asking for any funds to continue this program in fiscal year 1988. Given that the provisions of the National Organ Transplant Act envisioned contracts for the network and registry in 1988, as well as in 1987, why have you not requested any funds for this program?

Dr. SUNDWALL. Let me try and explain what I believe the bases for these decisions are. First of all, I would like to say that I do not believe this administration has any intention at all of getting out of helping with organ transplantation.

The grants that were available for organ procurement organizations were awarded last year and we will award more this year. These were for 2-year disbursement. They will be funded through 1988. Money will be disbursed and they certainly will be expanding their ability to reach out and encourage more timely obtaining and transplanting of organs.

I want to make sure that you understand the organ procurement organizations that received those grants already existed and will continue to exist—there were 110 of them—and that we are not developing new ones so much as we are just giving a boost to their activities. In fact, they are very handsomely funded through Medicare. It is estimated through the End-Stage Renal Disease Program those procurement organizations receive $80 million through HCFA. That is through their End-Stage Renal Disease Program.

The organ procurement network, the national network which was established in the law, is a combining of two networks that already existed, one in Pittsburgh for nonkidney organs or extra-renal organs, and one in Richmond, VA. The Richmond, VA, organization, UNOS, got the contract last year of $400,000. This year we haved planned to award to them another $1.2 million in a contract to bring those two networks together and create this national network.

Because there is no line item in the 1988 budget does not mean that the network is going to fold by any means. In fact, it is my understanding that last year the network obtained $1.2 million in user fees or participation fees from its clients that was in addition to Federal money. And, to be honest with you, I do not understand how they could use more Federal money or if they need it. It seems to me as if all of a sudden these two transplantation networks, which were functioning and have now meshed, have had an enormous increase of funds.

So I think that we have every intention of having that keep going and be useful.

Senator CHILES. My understanding is about 90 percent of the funds are coming from the Kidney Transplant Program.

Dr. SUNDWALL. That is correct.

Senator CHILES. And that would come from Medicare. But if we do not maintain some kind of a contract relationship then Congress basically would lose its oversight capacity.

Dr. SUNDWALL. Well, we do not want that to happen. We certainly want to maintain a contractual agreement with UNOS and will do that regardless of the funding.

In the Agency the organ procurement and transplantation unit will continue. We will not stop that unit or close it down, and we will operate that out of our general funds.

REPORT ON ORGAN PROCUREMENT

Senator CHILES. Last year the committee directed the Secretary to report to the Congress on the amount of Federal funds used by organ procurement agencies for a list of specified reasons. Has that report been completed and when will we receive that?

Dr. SUNDWALL. I would like to ask Dr. Whiteside about that specific report. Are you aware of the status of that or who is conducting that report?

Dr. WHITESIDE. Yes; the Health Care Financing Administration is working on it. It has not been completed, but we would expect to submit it to the Department this summer for review before being submitted to the Congress.

Senator CHILES. When will the Congress get it, then?

Dr. WHITESIDE. That is why I said we were going to submit it to the Department for review, because I do not know how long it will take the

Department to review it, but I would think it would not take terribly long.

Senator CHILES. Well, I would hope we get it before the year is out. We directed it to be done.

Dr. WHITESIDE. We will make every effort to do that.

ORGAN TRANSPLANT REGISTRY

Senator CHILES. In the fiscal year 1986 report the committee directed the Secretary to report on the timetable for implementing the registry. Do we have that report and what has been done toward establishing the registries?

Dr. SUNDWALL. That registry will be implemented this year, sir. We hope to award a contract to the UNOS organization in Richmond, VA, which makes sense because they already have the national computer network, the ability to track individuals who receive an organ transplant and to determine the efficacy of them and how well they are doing.

Senator CHILES. Have you any questions?

DECREASE IN REQUEST FOR GERIATRIC TRAINING

Senator WEICKER. I have one question. I have a series of questions for response to the record, but there is one that I want to emphasize.

David, I have been saying for some time now that we are not adequately preparing for the future health needs of our older Americans. I am beginning to feel like a fool. Everybody knows this. Every survey, every statistic, and yet nobody is doing anything about it. Indeed, in this year's budget we are going exactly in the reverse.

Anyway, to cite the statistics, by the year 2020 we will have approximately twice as many people over the age of 65, and twice as many over 85 by the year 2000. Over the last 2 years Congress has provided funding for a geriatric training initiative to prepare today's doctors for what we know will be a very definite need in the future. While I am glad that geriatric training is one of the very few areas you provided funding for in the "Health professions" account, you proposed decreasing the dollars for this initiative by $5.8 million below this year's appropriation, $800,000 below 1986.

In other words, in 1986 we had $5 million, in 1987 $10 million, and the 1988 request is $4.2 million. You know as well as I do that the medical universities of this Nation—I forgot what the statistics are, if there are——

Dr. SUNDWALL. One hundred and twenty-seven.

Senator WEICKER. Of 127 schools, I think there are no more than 3 or 4 that are involved in geriatric training. How in the light of these statistics can you justify this decrease?

Dr. SUNDWALL. Well, Senator, knowing that I was going to have to come up to see you on this, I cannot tell you how pleased I am that we have some money in this year's budget for geriatrics. We think that is a high priority. We think that the Federal Government's role in health professions training has changed, because we have had successes in the past, but I know Dr. Bowen and the entire administration recognizes the need to continue some geriatric training.

It is limited funding, but nonetheless it indicates that we consider it very, very important. We will be able to support at least 14 geriatric education centers with the requested funds.

Senator WEICKER. David, let me tell you since it comes up time and time again in this budget, this little bit of money that was requested for this year. Let us say we kept it level funded at $10 million. Do you realize what the cost will be for us to scramble after the year 2000 in terms of training adequate numbers of personnel?

We are trying to do this. A good legislator and good legislation anticipates. It does not react to crisis. Now we have absolute certainty of the figures before us, and this is cheap. If we do not do it, what comes later is going to be enormously expensive, and the administration does this time and time again.

We are sitting here now discussing catastrophic health insurance and the enormous costs that are involved there. I would like to go back to the beginning of the spectrum; $2,000 health care cost per person in the United States; $25 per person research. If you double that research budget you would not have to worry for one-half of what you are going to have to spend on this catastrophic health insurance over here.

And that is the point I am trying to make with the geriatrics. Indeed, I might go further, to the elderly that always think all their problems are whether they get a Social Security increase or not. This is what is going to affect them more than anything else, if indeed quality of life is more than just picking up a Social Security check. Rather, it is also being free of illness and hurt. I would hope that a careful look would be taken at this because this is not an area that I am prone to disregard.

And I have a feeling that this might be a common ground with the chairman from Florida.

Senator CHILES. You have got a good feeling there.

Dr. SUNDWALL. I share your interest in geriatrics.

Senator WEICKER. Thank you very much, Mr. Chairman. I have other questions for submission for the record.

INCREASE FOR MATERNAL AND CHILD HEALTH

Senator CHILES. Thank you, Senator.

The Omnibus Reconciliation Act of 1986 increased the funding authorization of the maternal and child health services block grant by $75 million. Part of that increased authorization was set aside for special initiatives, including demonstration programs and projects to provide primary health care services to children and case management services for children with special health care needs.

One of the Members of our subcommittee, Senator Bumpers, is interested in adding $75 million to fund the new authorization. If Congress were to appropriate additional funding, how would you propose implementing these resources?

Dr. SUNDWALL. Well, I am proud to tell you that we have recommended in the President's budget an $85 million transfer of funds from HCFA to work with our maternal and child health and our community health centers in case-managed care for young pregnant women and care for babies. We believe that that is clearly a high priority if we are going to decrease infant mortality and focus on infant health.

That is where we think the payoff lies. I believe in the President's budget there are resources to do this health initiative, which we think is of such critical importance, but if there were more funds available I would suspect that we would comply with Congress' wishes and direct them to the very areas that they deem appropriate.

CASE MANAGEMENT SERVICES

Senator CHILES. Last year we passed legislation in Medicaid to get at the infant mortality problem. We allowed States to target resources on pregnant women and to raise the eligibility level for them. That bill also authorized new case management services for this group.

I know the administration has requested case management demonstrations in the Medicaid Program. One, I am not sure that that is necessary, since it is already authorized in Medicaid. But, two, I am also wondering how it would be done. Would the maternal and child health projects be participating in the demonstrations, and how would it be coordinated? Should we be thinking ahead about putting more case management activity into the maternal and child health care block grant?

Dr. SUNDWALL. I would, if you would like, sir, have Dr. Martin answer that question directly. We can give a lot of specifics for the record, but I think he could give us a description, if you would like.

Dr. MARTIN. Yes, sir; just a summary description. The Medicaid Case Management Demonstration Program, which is for $85 million, is a test of general types of case management. The President's 1988 budget, the $85 million specifically, is not simply just for Medicaid. What the administration is proposing is to tie not only Medicaid medical services together but social, educational, maternal and child health, and other community support services targeted to the high-risk women.

That indeed would involve an expectation that there be a formal activity on the part of not only Medicaid agencies, which are currently covered under Medicaid, but by title V agencies, maternal and child health, health departments, education departments, and the other local services to bring together all of those services around the highest risk, predominantly young mothers. That is the difference between the two particular proposals.

HEALTH CARE FOR THE HOMELESS

Senator CHILES. Dr. Sundwall, as you know the homeless issue has been one of great concern, and some of the legislative proposals provide additional funding through the community health centers in order to reach this special population and provide needed health care.

Would you comment on the feasibility of getting the needed health services to the homeless through the Community Health Centers Program? What are the real health service needs for the homeless?

Dr. SUNDWALL. Our community health centers certainly serve a large population of the underserved needy right now. It is estimated that in excess of 6 million people were treated in our community health centers last year. If the funds were deemed necessary to target on the homeless and their health care needs, it would be my preference if those funds would be directed to States through our preventive health services or maternal and child health care block grant programs and let States then utilize the CHC's as they deem appropriate.

It just makes sense to me that we can target them to where they are best served through the States.

Senator CHILES. Well, it seems that most community health centers are in inner cities.

Dr. SUNDWALL. They are about half and half—one-half rural and one-half inner city.

Senator CHILES. Well, but let us say most of the inner cities have health centers, so there is an agency there and that is where most of the homeless are. So it would seem that that would be the thing.

Do you have any alternative health care delivery funding mechanisms to reach the homeless?

Dr. SUNDWALL. No; I would suggest that CHC's are a good source, a good place to treat the homeless, but again I cannot isolate from our budget how much of our funds would go to serve those people per se.

AIDS EDUCATION AND TRAINING CENTERS

Senator CHILES. Last year $1.9 million was appropriated to fund AIDS education and training centers to provide treatment and prevention training to health care providers and community service workers. How was that congressional funding initiative allocated and what has been the progress in establishing these centers?

Dr. SUNDWALL. Those will be awarded this spring. We hope to have an announcement in the Federal Register this month that would provide for at least three geographically separated training centers for health professionals. There is a budget request for next year that would allow us to expand those by seven more.

Senator CHILES. I note that that is an increase of $4.7 million and is one of the few increases your agency has requested.

Dr. SUNDWALL. That is correct.

Senator CHILES. How are you going to use those? You are going to expand those?

Dr. SUNDWALL. Yes; we hope to have eventually a network of 10 such centers around the country and when those are set up we think we could train as many as 12,000 health professionals per year in the treatment of AIDS patients.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **Chiles**. We have other questions and I think we will try to submit those for the record.

Dr. **Sundwall**. We will be happy to provide you with answers.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

HEALTH PROFESSIONS FUNDING

Question. Last year, the Administration proposed no funding for health professions. And, last year the Congress appropriated $209.9 million for health professions education. As you know, this included funding for many health care specialties including general internal medicine, pediatrics, physician assistants, and nurses. This year, we see something new. You are requesting funding of $37.1 million for selective health professions. Specifically, these specialties include family medicine, geriatric training, and AIDS training of health care providers. They sound like high priority areas for me. However, I need some additional information.

What are the justifications for selectively funding health care professionals? How does the Agency determine which health professionals to fund?

Answer. In preparing the FY 1988 budget, we recognized that the health professions activities have made important contributions to the education and training of health professionals. In view of the continuing increases in the overall numbers of health professionals and the traditional primary responsibility of the States and the private sector in these areas, we focused our attention on the most pressing needs, namely, activities of family medicine and geriatrics. Unquestionably, some of the activities previously supported through our programs will not be continued. On the other hand, we believe that those of highest priority, where an institutional commitment has been established, will be continued through other sources, and, as we have had to do at the Federal level through a reordering of priorities. The President's Budget is based on health professions needs documented in the "Fifth Report to the President and Congress" and on the "Status of Health Personnel in the United States, March 1986"; and in the "Department's Report on Education and Training in Geriatrics and Gerontology, 1984."

Question. Within the limited funding resources available in fiscal year 1988, which health professions programs would you say have a higher or lower priority than the other?

Answer. In view of the continuing increases in the overall numbers of health professionals and in light of overall national funding constraints, the Administration proposes to focus the FY 1988 budget on the two major national priorities of family medicine and geriatrics and gerontology. In addition, support for health professions training of the financially needy will be available through the Health Professions Student Loan program and other Federal, State and private sector sources.

NURSE TRAINING

Question. Dr. Sundwall, I read in this past Tuesday's Wall Street Journal, that U.S. hospitals are looking overseas to Canada, the Philippines, England and Ireland to recruit nurses to remedy a current shortage. In fact, the American Hospital Association says that 14 percent off registered nursing positions at 1,000 hospitals were unfilled in December, up from 6 percent a year before.

In the 1986 Report to Congress on the Status of Health Personnel, the Department of Health and Human Services projected that by the year 2000, the need for nurses with advanced degrees will be approximately 515,000 while only 171,000 will be available.

Furthermore, as a result of the Medicare Prospective Payment System, nurses are caring for patients who are sicker, and who are in need of more intensive nursing care. Hospitals need nurses with advanced degrees.

Last year, we appropriated $53.3 million for nurse training. Once again this year, you are requesting no funding for nurse training.

What data do you have to support eliminating funding for advanced degree nurses?

Answer. Support over the past several years has led to significant increases in the number of advanced and graduate degree programs available. This has resulted in 33 doctoral programs by 1985, in 23 States, an increase of 560 percent over 5 doctoral programs in 1966. The number of master's degree programs in 1985 numbered 167, an increase of 183 percent over those available in 1966. All but two States in the country now have master's degree programs. Also, the number of nurses with graduate degrees has grown during this period by some 80,000. Given these significant improvements in the number of programs that offer advanced nurse education, the increase in the numbers of advanced degree nurses, and the need to establish priorities for the limited Federal funds available, the health care industry, the private sector and the States must now assume fiscal responsibility to provide assistance to these programs which were developed through Federal funding.

Question. In light of the projected shortfall in supply of advanced degree nurses, and the growing complexity of patient care, don't you think these programs should be continued?

Answer. Federal support has helped to provide a sound base in terms of the facilities available for training to continue the production of nurses with advanced degrees. Given the limited resources available for funding at the Federal level, the health care industry, private sector, and the States must now assume fiscal responsibility to provide assistance to these programs which were developed through Federal funding.

ORGAN PROCUREMENT AND TRANSPLANTATION

Question. We have heard the President on radio and television asking the nation for organ donors for small children who will die without the transplants. On several occasions, he has made a national plea to match donors with recipients. Yet, when we examine the budget request for fiscal year 1988, we find there is no funding to continue the program the Congress has started.

Currently, the federal dollars in the Organ Procurement and Transplantation program support four functions:

1. A comprehensive network to coordinate the activities of transplant candidates and organ donors;
2. A scientific registry of transplant recipients;
3. A grant program for organ procurement organizations, and
4. An education program to address the need for organ donations.

The Congress provided $2.9 million in fiscal year 1986 and $7.4 million in fiscal year 1987 to support these efforts. I think that's a pretty good start to organize and coordinate this program.

Yet, the Administration remains reluctant. In fact, it did not award the contract for the registry until last September 30th.

You are not asking for any funds to continue this program in fiscal year 1988. Given that the provisions of the National Organ Transplant Act envisioned contracts for the network and registry in fiscal year 1988, as well as in fiscal year 1987, why haven't you requested any funding for this program?

Answer. The President's Budget includes $7.4 million from FY 1987 appropriations to fund specialized organ procurement activities during FY 1987 and FY 1988. These specialized grants will be used over two program years to improve efficiency by supporting the two-year developmental costs of a national procurement/distribution network and by promoting consolidation, where appropriate, of existing organ procurement organizations, expansion into rural areas, and professional education. The President's FY 1988 budget also continues the financing of the $1 million annual costs of the HHS Office of Organ Transplantation, whose activities include public education and technical assistance.

Question. What information leads you to believe that this program can be funded from other sources?

Answer. There are several examples of funding from other sources both Federal and non-Federal. Organ Procurement Organizations are already receiving an estimated $102 million from Medicare for kidney transplants. The Network Contractor (UNOS) receives $1.2 million in patient registration costs from other sources. Organ recipient registries are funded by NIH, and other private sources already exist for heart, heart-lung, lever, pancreas, and kidney.

Question. How much funding would be required to continue this program in fiscal year 1988?

Answer. As I said, we do not feel additional Federal funds are needed.

Question. In the fiscal year 1986 report, the Committee directed the Secretary to report on the time-table for implementing the registry. Have you sent us that report?

Answer. The report was not prepared in part because Congress did not appropriate funding for the Registry in FY 1986.

Question. What has been done towards establishing the registries?

Answer. We are now proceeding to establish a national scientific registry of organ transplant recipients and will award a contract from funds appropriated in FY 1987 for this activity this summer. The contract will cover a two year period. The first year will concentrate on design and development of the registry with full operation of the registry expected by the end of the second year of the contract.

MATERNAL AND CHILD HEALTH AUTHORIZATION

Question. The Omnibus Reconciliation Act of 1986 increased the funding authorization of the Maternal and Child Health Services Block Grant by $75 million. Part of the increased authorization is set aside for special initiatives, including demonstration programs and projects to provide primary health care services to children and case management services for children with special health care needs. One of the members of our subcommittee, Senator Bumpers, is interested in adding $75 million to fund the new authorization. If Congress were to appropriate additional funding, how would you propose implementing those resources?

Answer. The new $75 million authorization includes several components. The first is a 7 percent or $5,250,000 set-aside for discretionary project grants for sickle-cell screening. The remaining $69,750,000 is divided into two portions -- 15 percent for special projects of regional and national significance and 85 percent for increased block grants to the States. The availability of $10,460,000 in funds for project grants would have to be advertised in the Federal Register. Applicants are given a minimum of two months to prepare their applications and a significant amount of time would have to be dedicated to review before final award of funds. Before this process is initiated, appropriate guidance will have to be carried out by the Federal agency to ensure that the funds are appropriately applied. The remaining $59,290,000 in block grant funds would be further subdivided. The first $15,750,000 would be allocated under the existing formula. Since this amount would make available to the States an amount equal to the 1983 base allocation of $422,050,000, the remaining $43,540,000 would be allocated based on the number of low income children in each State expressed as a percentage of the number of such children nationally.

INFANT MORTALITY

Question. As you know, the infant mortality rate in the United States is 11 deaths for every 1,000 live births, and the mortality rate for black infants is nearly double that of whites. Furthermore, the United States continues to have high levels of infant mortality relative to other industrialized nations.

With the Maternal and Child Health Block Grant, what types of programs are funded to address the issues of infant mortality?

Answer. The block grant has two major components - 85 percent of the funds appropriated, or $406.3 million in FY 1987, are allocated to States to support State programs for mothers, infants and children, and 15 percent, or $71.7 million in FY 1987, are utilized to support a variety of competitive discretionary grant projects, which basically are tied closely to the State programs. The block grant funds are utilized by States to provide services to low-income, high-risk persons who are other wise unable to obtain health and related care. Many States and the United States Public Health Service are working together to address infant mortality and low birthweight related problems. Within the Federal grant authority a multi-faceted initiative is underway which has service demonstration, training and research components which strive to implement and investigate innovative methods for delivering health services and increase the supply of health professionals with expertise in providing care to high-risk mothers and infants.

Question. Are these on-going and new programs?

Answer. The FY 1988 budget request of $478 million provides the same level of funding as in FY 1987 and will permit continued support of two major areas of concern relating to infant mortality -- behavioral risk reduction and racial differences and their etiology. It has long been recognized that those who enter prenatal care early in their pregnancies have a much reduced risk of negative outcomes.

Question. Does the $478 million funding request for fiscal year 1988 include any new initiative? What new ideas do we need to explore.

Answer. We are encouraging high-risk pregnant women to seek care early in their pregnancies and these efforts will continue and be slightly expanded in FY 1988. Likewise, it has also been documented that three are significant racial differences in pregnancy outcomes. We are now attempting to get beyond the recognition and understand and resolve the issues involved. State health agencies are vitally involved in these activities.

Question. Last year we passed legislation in Medicaid to get at the infant mortality problem. We allowed States to target resources on pregnant mothers and raise the eligibility level for them. That Bill also authorized new case management services for this group. I know the Administration has requested case management demonstrations in the Medicaid program. One, I'm not sure that's necessary, since it is already authorized in Medicaid. But, two, I'm also wondering how it would be done.

Would the Maternal and Child Health projects be participating in the demonstrations?

Answer. The proposed Secretarial Infant Health Initiative Demonstration Program, aimed at providing enhanced comprehensive services to Medicaid-eligible pregnant women and their infants using case managers to locate, integrate and assure that these services are provided, is under joint development by the Office of Research and Demonstrations, Health Care Financing Administration (HCFA), in the Division of Maternal and Child Health (DMCH), Health Resources and Services Administration, and in the Public Health Service.

Question. How would it be coordinated?

Answer. Although funds involved are in the HCFA appropriation, staff from both DMCH and HCFA will participate in the review and monitoring of the projects. It is anticipated that the demonstration program will emphasize participation and coordination of major programs such as Title XIX, Title V and WIC.

Question. Should we be thinking instead about putting more case management activity in the Maternal and Child Health Block Grant?

Answer. An advantage of the MCH Block Grant is the opportunity given to States to set their own priorities. We would certainly encourage attention to the concept of case-managed, comprehensive services and hope that many States would pursue this in their programming.

HEALTH SERVICES FOR THE HOMELESS

Question. Dr. Sundwall, as you well know, the homeless issue has been one of great concern. Some of the legislative proposals provide additional funding through the Community Health Centers in order to reach this special population and provide needed health care.

Would you comment on the feasibility of getting the needed health services to the homeless through the Community Health Centers?

Answer. There are a number of mechanisms which could be used to get needed health services to the homeless. One mechanism would be a block grant approach - giving States the responsibility for determining how funds could best be applied. Another approach would be to fund CHCs directly for the provision of health services to the homeless.

The approach of passing a one-time supplemental appropriation specifically directed at CHCs was successfully implemented four years ago to provide health services to the unemployed. In distributing the Jobs Bill appropriation, most of the funds were distributed to the Regional Offices based on the identification of counties with high levels of unemployment. Some funds were reserved for a subsequent allocation to address sub-county areas of high unemployment in counties not previously identified. CHC grantees submitted applications to provide needed health services to identified county and sub-county areas which were in or near their service areas. Since the Jobs Bill funds were one-time funds, most grantees provided these additional services by contracting with other providers or expanding service delivery hours, rather than by adding additional staff to their program.

Question. What are the real health service needs for the homeless?

Answer. According to a 25 city survey concerning the homeless conducted by the National Conference of Mayors, 37 percent of the homeless are substance abusers and 33 percent are mentally ill. Common illnesses are cardiac disease, diabetes, acute hypertension, and chronic pulmonary disease. Other health problems cited included vascular disease, parasitic and lice infestation, skin infections, and food poisoning.

Question. It would seem to me that you would want to put the money in the most flexible delivery system you have. For instance, how many Community Health Centers are in inner cities, or are serving the homeless now?

Answer. In order to give you some idea of the capability of CHCs to provide health services to the homeless, we have provided a list of CHCs in the 20 large metropolitan areas served by the Department of Housing and Urban Development to document probable ranges of the numbers of homeless.

(The information follows:)

Baltimore
Constant Care Community Health Center
Baltimore City Health Department Municipal Health Service
Chesapeake Health Plan
Parkwest Health Service
West Baltimore Family Health
South Baltimore Family Health

Boston
Joseph Smith Community Health Center/Allston-Brighton Community Health Center
Mattapan Community Health Center
North End Community Health Committee
Neoponset Health Center (Dorchester)
South Cove Community Health Center
Roxbury Comp. Community Health Center

Chicago
Claretian Medical Center
KOMED Health Center
Illinois Migrant Council
Erie Family Health Center
Near North Health Center

Cincinnati
Southern Ohio Health Services
Cincinnati Health Department

Cleveland
Hough Norwood Family Health Care Center

Detroit
Detroit Health Department
Sisters of Mercy Health Corporation

Hartford
Charter Oak Terrace/Rice Hts Health Center
Community Health Services, Inc.

Houston
(no centers currently funded)

Kansan City, MO
Kansas City Wyandott Co HD
Swope Parkway Comp Health Center
Wayne Miner NHC
National Rural Health Care Frontier Med.

Los Angeles
Community Health Fnd of East Los Angeles
Arroyo Vista Family Health
Watts Health Foundation
La Clinica Familiar del Barrio

Miami
Community Health South Dade, Inc.
Borinquen Health Care Center, Inc.
Economic Opport. Family Health Center, Inc.

Minneapolis/St. Paul
Indian Health Board of Minnesota, Inc.
Westside Community Health Center
Model Cities Health Center

New York/Bronx/Brooklyn
Nena Comprehensive Health Services
Harlem Hospital Primary Care Network
Chinatown Health Clinic
East Harlem Clinic for Human Services/Boriken
Settlement Health and Medical Services
William F. Ryan Health Center
Martin Luther King, Jr. Health Center
Hunts-Point Multi-Service Health Center
Morris Heights Health Center
Montefiore Ambulatory Care Network
Bronx Lebanon Hospital Network
Soundview Health Center
Sunset Park NHC
ODA Primary Care Health Center
St. Mary's Hospital
Hire Comprehensive Family Care Facility
L B Johnson Health Complex, Inc

Philadelphia
Greater Philadelphia Health Action
Spring Garden Health Association
Covenant House Health Service
2501 Health Care Corporation
Spectrum Health Services, Inc.

Phoenix
South Phoenix Memorial Hospital

Pittsburgh
Primary Care Health Services

Portland
Multnomah Co Department of Human Services

San Francisco
North East Medical Services (NEMS)
San Francisco Medical Center (DIP)

Seattle
Sea Mar Community Health Center
Neighborhood Health Center
Central Seattle Community Health Center

Washington, D.C.
East of the River Health Association
National Health Plan/Shaw Community Health Center

Question. I know about one in Miami, for instance, that is already serving the homeless. Do you have any recommendations for alternative health delivery funding mechanisms to reach the homeless?

Answer. The block grant approach and the approach of providing a supplemental categorical appropriation directly to CHC are the two approaches we would see as most feasible.

AIDS TREATMENT DEMONSTRATION PROJECTS

Question. For the past two fiscal years, the Congress has provided a total of $26 million to establish and support AIDS treatment demonstration projects in Los Angeles, Miami, New York and San Francisco. The purpose of these programs is to demonstrate innovative ways of providing care for AIDS patients in outpatient and community settings.

Would you comment on the progress of these demonstration projects?

Answer. On September 30, 1986, $15.3 million was awarded to establish Acquired Immune Deficiency Syndrome (AIDS) Service Demonstration Projects in Los Angeles, Miami, New York and San Francisco Standard Metropolitan Statistical Areas (SMSAs).

Three year grants were awarded to: Health Research, Inc., and the New York State Department of Health - $8,147,059; San Francisco Department of Health - $3,197,114; Los Angeles County Department of Health Services - $2,567,121; and Public Health Trust of Dade County, Miami, Florida - $1,360,706.

In the past several months, grant recipients have made considerable progress in establishing networks of care for persons with AIDS. AIDS-related conditions (ARC), and Human Immunodeficiency Virus (HIV) infection. Most grantee subcontracts for network providers have been finalized, and grant project senior staff persons hired.

A broad range of ambulatory, community and home based services are now being provided, and prevention, education/information, and outreach activities are planned or underway, with emphasis on intravenous (IV) drug users and other individuals at greatest risk.

On October 1, 1986, a contract was awarded to the Center for Health Policy Studies (CHPS), of Columbia, Maryland, to help develop the methodology to be used in structuring the evaluation of the program. This initial evaluation contract is targeted for completion at the end of March 1987. Plans are already underway to begin designing the scope of a program evaluation contract.

Question. Recognizing the continued rise in the number of AIDS cases and the needs of this special population, shouldn't we keep these projects going?

Answer. The AIDS Service Demonstration Program projects are not intended to be ongoing operational projects. The $26 million funding will support approximately 10 AIDS Service Demonstration Program projects over a period of 3 years in metropolitan areas around the nation which have a high incidence of persons with AIDS and HIV infection. The amount of funding appropriated to date is sufficient to allow full development, implementation, and evaluation of the projects and the various approaches to developing, organizing, providing, and financing a broad range of ambulatory, community, and home-based services.

Question. There is no budget request to continue this program at any level. What level of funding would be required to continue these programs?

Answer. At this time, we feel the level of funding to date in FY 1986 - $15.3 million - and FY 1987 - $10.0 million - provides sufficient support for the demonstration projects over a period of 3 years, and supports a comprehensive evaluation of the program.

AIDS EDUCATION AND TRAINING CENTERS

Question. Last year, $1.9 million was appropriated to fund AIDS Demonstration Training Centers to provide treatment and prevention training to health care providers and community service workers.

How was that Congressional funding initiative allocated?

Answer. The award of training grants to the three AIDS Education and Training Centers scheduled to be funded in FY 1987 is expected to occur in August 1987.

Question. What has been the progress of establishing these centers?

Answer. A Notice of Availability of Funds and the Supplemental Instructions for applicants has been prepared and is in the clearance process. Guidelines for applicants is in the draft stage but should be finalized by the end of March.

Question. This year, the budget request is for $6.6 million, an increase of $4.7 million. This is one of the few increases your Agency has requested! Why are you requesting additional funds, and how will they be used?

Answer. Additional funds are being requested to provide funding for 10 Education and Training Centers. Three centers will be funded in FY 1987 and 7 additional centers are scheduled to be funded in FY 1988. Funding levels in FY 1988 for each of the 10 centers are comparable to funds requested in FY 1987 for the 3 centers, when adjusted for inflation.

HEALTH EDUCATION ASSISTANCE LOAN (HEAL)

Question. The HEAL program makes market rate loans to students who use them as loans of last resort when they have no other way to meet the costs of a health professions education. Last year the loan guarantee limit was $290 million.

This year, the Administration is proposing a $100 million limit on the loan guarantee. If the budget request is accepted, over 20,000 current health professions students would not be able to use this program. What is your justification for limiting HEAL capital in this way?

Answer. Because of the high repayment cost of HEAL loans to the borrower - as well as potentially to the Federal government should defaults continue to rise significantly - we believe it should serve only as a loan of last resort.

Question. If this loan guarantee limit was approved, what other alternatives do these students have to finance their education?

Answer. Students most in need will continue to have access to Health Professions Student Loans, as well as to the Department of Education Guaranteed Student Loans, and other Federal, State and private sources.

GERIATRICS TRAINING INITIATIVE

Question. Last year, federal lawmakers recognized the severe shortages of medical and dental faculty trained in geriatrics to meet the special needs of our Nation's growing elderly population. To meet those needs, Congress appropriated $10 million for geriatric training initiatives. The President proposes to cut that amount by 58 percent, leaving only $4.2 million per year for fiscal years 1987 and 1988.

Given the growing number of elderly citizens, and the projected future need for professionals with specialized training in geriatrics, is it wise at this time to decrease our support for training health professionals and faculty in geriatrics?

Answer. Increased recognition of the need for improved care of the elderly is resulting in encouraging increases in the numbers of physicians and other health professionals identifying geriatrics as their primary area of specialization. A concomitant increase in attention to geriatrics by health professions schools is reflected in special State support in States such as Ohio and California, and in local and private foundation initiatives. Consequently, we believe that the shift of resources due to these trends and the targeting of our resources in FY 1987 and FY 1988 will sustain necessary momentum towards goals for the number of health professionals and faculty needed in geriatric teaching.

Question. How many projects were funded with the fiscal year 1987 appropriation?

Answer. Fiscal year 1987 will support approximately 30 projects.

Question. How many projects will the fiscal year 1988 request support?

Answer. The FY 1988 request will support approximately 14 geriatric/long-term care initiative projects.

INCREASED PATIENT POPULATION

Question. Dr. Sundwall, the budget request for the Community Health Centers is $400 million, the same amount as appropriated last year. Yet, you project that the number of medically underserved people will increase from 5.5 million to 5.7 million, an increase of 200,000 people.

To what do you attribute the increase in patient population with the same amount of resources?

Answer. We are able to project an increase in the total number of CHC users between FY87 and FY88 for two reasons. First, in each year we reserve some portion of the appropriated funds to use for strategic investment opportunities where we can bring needed services to additional medically underserved persons. We choose our opportunities carefully and look for places where our resources can be combined with State or local manpower or dollar resources. These dollars, which are new investment, came from "savings" from activities which were on-time or phase-out costs in the previous year and from decisions made through the zero-based assessments of on-going activities. Second, we can project an increase in persons served in FY88 because additional physicians hired in CHCs in FY86 are expected to still be building their case load to capacity - we assume a two-year period.

Question. What management policies have you used to reach a greater patient population?

Answer. The two key policies which are being used to assure that we maximize the number of medically underserved persons reached through CHC grant dollars are: 1) we make careful decisions on new expansion opportunities by awarding funds to established systems of care, whenever possible, that have proven their ability to run efficient delivery systems and the attract the participation of State and local resources and 2) we analyze each continuation grantee every year to assure that a priority population continues to be served and that internal management systems are in place to maximize the collection of first and third party revenue -- in other words, to minimize the grant dollars necessary to support the system.

Question. What role has the change in the placement of the NHSC played with the ability of the CHC to expand their service population?

Answer. In the past several fiscal years, significant numbers of NHSC-obligated scholars have been placed in CHCs under Private Practice Assignments. The number of such scholars available to CHCs is now diminishing each year and CHC program is looking at the NHSC physician pool as a scarce resource. The primary effort of the CHC program is to retain the providers it has by maintaining attractive, high quality managed care programs with continuous liaison with medical schools and teaching hospitals. When it is necessary to replace a physician who is leaving or to add a physician to a system that is expanding, a center's first responsibility is to carry out its own recruitment effort. In isolated areas of highest need where recruitment efforts are not successful in providing stable staffing, that particular placement is considered for inclusion on the list of opportunities available to the limited pool of obligated NHSC scholars.

HEALTH PROFESSIONS ANALYTICAL STUDIES AND REPORTS

Question. The Health Professions Analytical Studies and Reports program was designed to provide timely and carefully analyzed information on the supply, distribution and utilization of practicing health professionals and on health professions students and institutions. Last year $2 million was appropriated to fund 20 ongoing projects.

Why was no funding requested for fiscal year 1988?

Answer. It is a matter of competing priorities with limited resources.

Question. In order to better target the limited federal dollars towards the training and placement of health professions, don't you think it is necessary to continue collecting and analyzing this type of information?

Answer. The Department will use all available resources in FY 1988 to support high priority analytical studies and reports. Our primary approach would be to identify and implement innovative new approaches to collection and analysis of health professions data and to act as a catalyst in enhancing and expanding combined State, local and private efforts in this area, with an aim toward maximizing the usefulness of information available and potentially available from all non-Federal sources and locating and utilizing all related endeavors.

Question. How much funding would be required to continue this program in fiscal year 1988?

Answer. To continue the health professions analytical studies and reports activity in FY 1988 and at a current services level would require funding of approximately $2.1 million.

AGENCY STAFFING REQUIREMENTS - PROGRAM MANAGEMENT

Question. The Fiscal Year 1988 request for staff requirements is a reduction of $14.5 million and 209 full time equivalent (FTE) positions from the current fiscal year 1987 estimate.

The budget assumes the elimination of most health professions and nurse training programs, and the required agency personnel to administer those programs.

If the Congress continues to fund these programs, as it has in the past, what would be more realistic estimates of funding and staffing required to effectively administer all the programs of the agency?

Answer. If Congress appropriated funds for FY 1988 to maintain the same program funding level as in FY 1987, estimates of funding and staffing required to administer these programs would be comparable to the same funding level appropriated in FY 1987.

NATIONAL HEALTH SERVICE CORPS (NHSC) SCHOLARSHIPS

Question. The NHSC Scholarships provide financial support to students in exchange for a minimum of two years of service in the NHSC.

The number of scholarship recipients available to be placed for service appears to be dropping off dramatically. You haven't requested any scholarship funds for fiscal year 1988. How will that affect the number of recipients going out into the field in the next few years?

Answer. The NHSC is phasing down the Scholarship Program. After 1987 we estimate that there will be only about 750 scholarship recipients yet to be placed. Of these about 425 will be placed during the summer of 1988 and after that the numbers decline rapidly.

Question. How will the decrease in the National Health Service Corps recipients affect areas traditionally served by the Corps?

Answer. The NHSC has helped communities obtain qualified health providers by making available student scholarships with a commitment to repay this assistance through work in an underserved area, and through the recruitment of volunteers. This assistance and placement effort complemented other Federal, State and private programs which were aimed at expanding student enrollment in medical schools in order to correct a national shortage of health care workers in the 1960's and early 1970's.

In view of the success of these efforts and the continuing growth in the number of physicians, the NHSC will begin phasing down its placement process in 1988. The obligated students in the pipeline built up during the 1970's will be fully placed by 1990. The NHSC program is being gradually reduced because the program's past success has made it unnecessary to place as many health professionals as in the past. Since 1972, when the NHSC began placing physicians, the number of health manpower shortage areas (HMSAs) has decreased dramatically. From 1980 to 1985, the number of physicians determined necessary for primary care shortage areas decreased by 25 percent. We expect to see a continuing decline in health manpower shortage areas through the 1990's. Over the same period, the number of physicians per capita increased by 22 percent. Many shortage areas are now being filled by the natural diffusion of physicians as a result of the Nation's growing supply -- and in some disciplines, oversupply -- of health professionals. Furthermore, the total number of physicians in practice in this country will have grown to 588,000 by 1990, compared to 326,000 in 1970, an 80 percent increase.

Question. We all realize that there will always be underserved areas for which it will be difficult to recruit volunteers. Shouldn't we maintain some scholarship funding to provide health care professionals for these areas?

Answer. We have under consideration a loan repayment program in partnership with State and local governments. We believe the Federal role in such a program should be a transitional one as States and localities assume their responsibilities in this area. We believe that such a program would be superior to the current Scholarship Program in that it would enable the NHSC to secure the physicians we might need: more quickly, more cheaply and in specialties needed.

PRIMARY CARE

Question. The President's proposed budget for FY 1988 cuts 60 percent from the amount the Congress appropriated last year for primary care programs. Federal funding for worthwhile programs, including many training programs in Family Medicine and all general dentistry, pediatrics, and internal medicine training programs, would be abruptly terminated.

Do you believe that we can afford to eliminate these programs that offer our health professionals the broad-based training they need to serve as the primary care providers for most Americans?

Answer. It is a matter of competing priorities. The fact that we are continuing some support for Family Medicine is indicative of our recognition of the continuing need forPrimary Care pracitioners who provide borad-based health care and of our commitment to address this need.

HEALTH EDUCATION ASSISTANCE LOAN (HEAL) APPORTIONMENT

Question. For the past two years, through bill language, the Committee directed that the HEAL guarantee funds be available without regard to apportionments not specifically authorized by statue.

Dr. Sundwall, can you tell me how the Department would deal with the matter of apportionment in the absence of such a directive in FY 1988?

Answer. The Office of Management and Budget (OMB) routinely requires the apportionment of credit authority under the Anti-Deficiency Act. Such apportionments are made normally for other Federal credit programs.

SOLVENCY OF STUDENT LOAN INSURANCE FUND (SLIF)

Question. Currently, student borrowers of HEAL pay an up-front, one time, 8 percent insurance premium on the loan principal. This insurance fund is used to cover the defaults, death and disability of the borrowers.

How much do you project will be deposited in the insurance fund this fiscal year?

Answer. In FY 1987, we expect to collect $29.2 million from insurance premiums. This is based on an 8 percent insurance premium and the FY 1987 level of $290 million for loan guarantee authority plus $53 million in carryover funds. We also estimate that $1.4 million will be received from repayments on defaulted loans and from interest on Fund investments in U.S. securities.

Question. How much do you project will be paid out?

Answer. In FY 1987, it is estimated that approximately $23 million will be paid out of the SLIF for guarantee claims on loan defaults and death and disability.

Question. What are your FY 1988 projections for the solvency of this fund?

Answer. Based on $100 million guarantee authority at a 10 percent insurance premium, at the end of FY 1988 the Fund will have an estimated balance of $1,950,259.

Question. If the HEAL guarantee limit were reduced to $100 million in FY 1988, wouldn't the receipts to the insurance fund also decrease?

Answer. Yes, based on the $100 million guarantee authority at a 10 percent insurance premium, the collection of insurance premiums to the Fund would be $10.0 million.

Question. Do you think the recently published rules on "Due Diligence" for lenders will help bring down the default rate, and therefore, insure the solvency of the insurance fund?

Answer. Combined with legislative and administrative actions over the past two years, as the recently published HEAL regulations are implemented, it is hoped that the default rate will decrease to produce a favorable impact on the SLIF. However, the benefits from these regulations will be gradual.

MANAGEMENT AND OVERSIGHT OF THE HEAL PROGRAM

Question. Dr. Sundwall, let me quote you some language from last year's Committee report regarding your in-house management of and the personnel needs for the HEAL program:

> "...The Committee expects that the Bureau of Health Professions will be provided additional funds from the direct operations budget to hire full-time experts in data management, financial analysis, market analysis, and debt collection."

Would you update the Committee on the status of implementing this language?

Answer. The resources available to the HRSA under the FY 1987 continuing resolution maintains program management/direct operations activities at the FY 1986 level. Within the resources available, support for BHPr activities in FY 1987 is adequate to maintain ongoing program operations.

Question. As of November, 1986, the Inspector General's review of this program echoed the Committee's concern. Let me quote:

> "Our review disclosed that the Bureau of Health Professions is not collecting and analyzing much of the key operational data necessary to effectively administer the Health Education Assistance Loan Program...The availability of timely and meaningful information has inhibited management's efforts to monitor current program operations, identify trends, and forecast impacts."

Given the importance of effectively managing this complex program, would you provide us with your specific plans for assuring continuous in-house review of this program in FYs 1987 and 1988?

Answer. Within its resources, the BHPr has undertaken a number of initiatives to improve data collection, analysis and program management of the HEAL program. A revised lender report will upgrade the HEAL management information system by collecting vital data from lenders on loans in repayment, forbearance and delinquent status on a quarterly basis. With the availability of operational data and an upgraded management information system, the ability to analyze data will be greatly enhanced.

The BHPr has contracted for program reviews to be performed at approximately 80 HEAL participating schools during FY 1987. These schools have been selected on the basis of the numbers of HEAL loans made to students at those institutions. Additionally, program staff will perform reviews of the large HEAL lenders concentrating on those lenders with perceived or identified problems.

As a result of findings from reviews already performed at schools and lenders and from input from Inspector General audits of the HEAL program, a number of policy memoranda have been disseminated which clarify or enhance program management at schools and lending institutions.

The Department is currently developing a contract which will review HEAL defaulters, examine the causes for default and identify possible corrective measures. This study will evaluate the circumstances surrounding, characteristics of, and a substantive analysis of borrowers who have defaulted on their HEAL loans. The Bureau hopes to determine whether HEAL defaulters have common characteristics which would enable the Department to establish policies, amend regulations or recommend legislative changes which would reduce the potential for future defaults by borrowers. Such facts as the economic background, academic risk factor, and other pertinent demographic characteristics will be reviewed. The study will review the history of the defaulters from initial application, school processing, debt level, financial counseling, lender processing and actions, termination of attendance (as a graduate or non-graduate), and finally, entry into the repayment cycle. Defaulter circumstances which affect entry into repayment will also be studied, with attention given separately to each of the disciplines eligible under the HEAL program.

HEAL INSURANCE PREMIUM RATE

Question. Dr. Sundwall, we want to complement you for the speed with which the final "Due Diligence" regulations were promulgated for the HEAL program.

However, the FY 1988 budget proposes bill language to allow the Secretary to adjust the insurance premium for loans guaranteed under this program to cover estimated defaults.

The Office of the Inspector General, in its November, 1986 review of this program, projects that the new "Due Diligence" regulations for lenders will have the effect of cutting the growth in claims rate in about half by FY 1988.

Don't you think we should wait to see the impact of these new regulations on the default rate before we charge student borrowers additional insurance fees to use this program?

Answer. Although the recently published regulations should have a favorable impact on the default rate over a period of time, the Department believes it is essential to have the flexibility to raise the insurance premium above the 8 percent statutory maximum in order to maintain a solvent Student Loan Insurance Fund.

FINANCIAL DISTRESS

Question. Meharry Medical and Dental, Tuskegee and Xavier received advanced financial distress program funding since 1982. These health professions schools receive grants to meet costs of operations to the extent necessary to remove them from serious and long-standing financial instability. These four schools are responsible for educating a significant portion of the Black health professionals in this country.

Last year, $3.8 million was appropriated for this activity. This year, no funding is requested. Why have no funds been requested for FY 1988?

Answer. In 1984, all four schools requested a one year extension to complete their plans to achieve financial solvency. Public Law 99-129 extended the authorization for this program for one year, through FY 1987, so the schools could complete their plans. Currently, thee is no authorizing legislation beyond FY 1987, since the schools will have completed their plans in FY 1987.

Question. Are these schools now in fiscally healthy condition?

Answer. The schools have greatly improved their fiscal posture. The financial plans developed by these schools to achieve financial solvency are now firmly in place and will enable them to continue their educational programs.

Question. Have their financial deficits been eliminated?

Answer. While deficits have not been completely eliminated, all schools are now in a position to meet their financial obligations, based on financial plans developed by the schools.

Question. Would the termination of this program affect the future supply of Black health professionals?

Answer. Termination of the Advanced Financial Distress program would not affect the future supply of black health professionals, as all four schools are now financially capable of continuing their educational programs.

DISADVANTAGED ASSISTANCE

Question. Last year, Congress approved $27.3 million for the Disadvantaged Assistance program, which assists underrepresented minorities in pursuing health professions education. This program and the Exceptional Financial Need Scholarship program are the only sources of grant support for health professions students.

The Administration proposes termination of all funding in FY 1988 for these programs which assist disadvantaged students. In your opinion, how will removing all grant support affect the access of low-income and minority students to health professions education?

Answer. Federal efforts in support of health professions programs have provided considerable investment during the past two decades in increasing the supply of health professionals. We believe that many health professions programs, including the Disadvantaged Assistance program which provided enrichment activities for disadvantaged students with inadequate preprofessional education, assisted students in negotiating the admissions process, and provided retention support, have to some extent been institutionalized by individual schools. As more responsibility for these activities are assumed by State governments, universities/colleges and health professions schools, the need for Federal support is less apparent. Federal student assistance will continue to remain available from the health professions and nursing student loan revolving accounts maintained in participating institutions to assist an estimated 37,600 economically needy students each year. Other financial student assistance will be available in the HEAL program and loan programs maintained by the Department of Education.

MATERNAL AND CHILD HEALTH (MCH) BLOCK GRANT

Question. How many mothers and children do you estimate will be receiving services under the MCH Block Grant in FY 1988? How does this compare with the numbers served in FY 1987?

Answer. States are guided by the legislation and implementing block grant regulations in the preparation of their required annual Reports of Intended Expenditures and their Activity Reports. As there is no requirement that States report the numbers of mothers and children who are served, and many States do not, we are unable to predict what will occur in 1988 or 1987.

Question. What is the status of implementation of the new reporting requirements under the MCH block grant?

Answer. When the Title V authorization level was increased from $478 million to $553 million in 1987, it was requested that

States report on activities to be supported with the increased funding. However, no funds have been appropriated for the newly authorized activities and therefore the reporting changes have not been implemented.

Question. How do you evaluate the effectiveness of special projects under the MCH block grant?

Answer. Evaluation of the effectiveness of a special project supported under the Block Grant is required as a component of each project. It is imperative that the information derived from such projects be both valid and transmitted in a form usable by other States; therefore, all applications are closely scrutinized to assure that evaluation and plans for dissemination of results are major components of the proposed project. During the life of the project, a major Federal role is to assure that these components are implemented.

Beyond evaluating the effectiveness of individual projects, the Division of Maternal and Child Health (DMCH) uses evaluation contracts and advisory groups to determine the effectiveness and future direction of grant program priorities and themes. In 1987, for example, the DMCH is using an evaluation contract to determine the effectiveness of the Emergency Medical Services for Children program (consisting for four State demonstration grants) in developing approaches and resources for States to use in better meeting the immediate care needs of severely ill or injured children. Also, this program will be assessed by an advisory panel consisting of national organizations interested or directly involved in emergency medical care. The DMCH's Maternal and Infant Health program has an advisory panel comprised of State Maternal and Child Health program representatives which helps develop Division policy and determine the effectiveness of present program efforts. Likewise, the training committee of the Association of Maternal and Child Health and C ippled Children's Programs acts as an advisory panel in developing and evaluating a DMCH technical assistance and training effort for State Title V programs.

These three approaches -- evaluation of individual projects, contract evaluations of broader grant programs, and oversight by informed national advisory panels -- make up the array of activities which provide the DMCH with necessary information and advice to direct the future course of special projects of regional and national significance.

INFANT MORTALITY REDUCTION PROJECTS

Question. How are MCH special projects used to reduce infant mortality? What are some exemplary projects in this regard?

Answer. Improving maternal and infant health and preventing infant mortality is one of the highest priorities within the MCH special projects of regional and national significance grants programs. Since FY 1985, emphasis has been placed on targeting efforts to address gaps in maternal and infant care systems, reduce postneonatal mortality, promote breastfeeding among low-income women, prevent low birthweight and promote early and continuous prenatal care. Funding priorities for FY 1987 include preventing adverse reproductive outcomes among Hispanic women and encouraging the implementation of coordinate systems of perinatal care. Highlights of some varied approaches to the problem follow.

- Prevention of Preterm Birth in Northwest North Carolina-- directed by the Department of Obstetrics and Gynecology at the Bowman Gray School of Medicine, this project's aim is to reduce the incidence of preterm birth in 20 counties in Northwest North Carolina by enlisting the cooperation of private practitioners to coordinate their efforts with those of public providers in collecting information about their patients and improving patient education, risk assessment, prevention services, and medical management. One innovation has been to share project experience with a major insurance carrier in the area, who in turn has provided to its clients information on prevention of preterm labor. By the end of its second year, the project was collecting information on 40 percent of all births in the region. Rates for low birthweight and very low birthweight have declined among participating pregnant women during the project period, at a time when these rates have increased in the region as a whole.

- Resource Mothers for Pregnant Teens -- the South Carolina Department of Health and Environmental Control is demonstrating a mechanism for utilizing community workers as Resource Mothers to supplement and reinforce prenatal and infant clinical services to help teenagers deal with numerous problems related to pregnancy, childbirth, infant care and parenting. Specifically the project hopes to reduce the mortality and morbidity of infants born to primigravida adolescents age 17 years and under and increase health and parenting activities of those young mothers to positively affect pregnancy outcome and child development.

- Colorado Low Birthweight Prevention Project -- this project's goals has been to reduce the low birthweight rate in Colorado by offering intensive lifestyle counseling to pregnant and prenatal women served by publicly funded prenatal care and family planning programs. Behavorial risks addressed by the project are smoking, alcohol use and nutritional problems such as severe anemia and inadequate weight gain. The problems are being shared with public and private sector health care providers in Colorado and other States to assist them in preventing low weight births among their own patients.

- Improving the Health of Migrant Farmworkers, Mothers and Children -- seeks to improve the health status outcomes of pregnant women and infants in migrant farmworker families traveling the migrant stream from Florida north. Administratively located in the Federally funded Tri-County Community Health Center near Newton Grove, North Carolina, the project addresses the needs of families utilizing the center, and focuses on 1) assessment of health status and provision of comprehensive care; 2) recruitment, training and utilization of lay health advisors who are themselves migrants; 3) expansion of collaborative working relationships between agencies in North Carolina, Florida, and other States, serving the same patients as they travel along the migrant stream, and 4) development of protocols and educational materials which are suitable for other populations serving migrant populations.

- Infant Mortality Reduction in Wayne County, Michigan -- demonstrates collaboration of the public and private sectors including the provision of funds, to address special community needs which have an adverse impact on provision of perinatal services. The multi-agency Wayne County task force identified special services of a non-medical nature as areas needing additional support in the provision of services to decrease infant mortality, e.g., a 24-hour information and referral telephone service, billboard space to provide information on pregnancy prevention and on early prenatal care services and outreach worker services.

Question. What are the goals of research projects supported under the MCH special projects activity?

Answer. The overall goals of the research projects supported by the Division of Maternal and Child Health are to create and validate knowledge that can be applied to improve the delivery of health services to mothers and children. A brief look at but a few of the studies completed in the past indicates many which have yielded significant findings and a high degree of applicability to improving the health of mothers and children in the United States. Examples include:

- The studies on unwed teenage mothers by Jekel and Klerman and Furstenberg's research on the social consequences of teenage childbearing remain the only ones of their kind in the United States; their importance lies not so much in how well they documented the social, psychosocial, and economic consequences of unplanned parenthood for teenagers, but in how influential their finds have been in bringing the problem to national attention and in shaping the content of current Federal and State program initiatives.

- Werner's research on the children of Kauai are classics in longitudinal child growth and development research; findings from the studies have been used extensively to support the need for a national system of preschool health programs and periodic early childhood screening.

- Haverkamp's research on fetal heart rate monitoring and scalp sampling in high risk pregnancies were pioneer studies and instrumental in focusing national attention on the need to evaluate medical technologies before they are widely used in medical practice.

The studies currently active reflect national concerns of the immediate past and the present. Included among these concerns are: (1) the comparatively high infant mortality rate of disadvantaged groups, (2) the etiology of impaired survival among infants during the first year of life, (3) the consequences of the deleterious effects of prematurity and low birth weight on long-term child growth and development, (4) efficacious interventions to achieve greater advances in prevention and health promotion, (5) the health and psychological problems related to adolescents, and (6) the social, economic, and psychological effects of chronic illness on children and their families. I am submitting for the record some examples of studies relating to these concerns.

[THE INFORMATION FOLLOWS]

EXAMPLES OF MCH RESEARCH PROJECTS

1) "Controlled Study of Prematurity Prevention: Efficacy and Costs", University of Pennsylvania, Philadelphia, Pennsylvania

> This is a randomized, controlled evaluation of the Creasy method for the prevention of prematurity using a large sample of Black women present for obstetric care at the Hospital of the University of Pennsylvania. Answers sought are: (a) is gestational age at delivery increased for the intervention patients? (b) can the discriminatory power of the risk assessment tool be improved, especially for indigent inner city primigravidas? (c) what are the relative costa and benefits in terms of both maternal and neonatal charges of a program such as this?

2) "Definition and Prevention of Infant Macrosomia", University of California, San Francisco, California

> This study seeks to investigate the determinants of macrosomia in a Mexican-American and Black populations at the San Francisco General Hospital. Macrosomia, the delivery of an infant who weighs over 9 pounds, is associated with increased risk of maternal and infant morbidity and mortality.

3) "Developmental Dysfunction in School-age Very-Low-Birth-Weight Children", University of Alabama Medical School, Birmingham, Alabama

> This study seeks to determine the extent of learning disabilities and behavioral disorders in surviving children with birth weights less than 1,000 grams. An additional research focus involves the extent to which it is possible, prior to admission to school, to identify those children without major developmental disabilities who will nonetheless experience academic difficulties and to determine which information is most helpful in making these predictions.

4) "Cost of Follow-up Care for Prematures, University of Rochester, Rochester, New York

> This study tries to determine the costs associated with follow-up care for premature births in a multi-county areas of the State of New York. The specific aims are to evaluate the impact of a regionalized perinatal system on the population served in terms of costs of the care itself and additional care needed to compensate for prematurity and its sequelae.

5) "Infant Health and Development Program", Stanford University, Palo Alto, California

This study tests the efficacy of combining early child development services with pediatric care in reducing the incidence of health and developmental problems among low birthweight infants.

6) "Factors Associated with Accidental Injury in Urban Children Aged 1-9 years", Johns Hopkins University, Baltimore, Maryland

The objective of this study is to investigate whether children at increased risk of experiencing an accidental injury can be identified in the health care system prior to the occurrence of the accident. The implication in identifying these children is that strategies can be developed to reduce the risk of injury.

7) "Mothering in Adolescence: Factors Related to Infant Security", University of Washington, Seattle, Washington

This study examines a set of psychosocial and environmental factors presumed to influence the quality of the mother-infant interaction, and thereby, the developing attachment relationship.

8) "Course of Recovery for Closed Head Trauma in Adolescence", University of Maryland Medical School, Baltimore, Maryland

This study seeks to investigate the physical and psychosocial effects of closed head injury in adolescents and their families, particulary as it refers to academic performance.

9) "Family Adaptation to Childhood Chronic Illness", Bradley Hospital, Rhode Island

This study will investigate the adaptation of families to the chronic illness of a child. It will seek to identify vulnerable families, and the factors predictive of adaptation.

10) "Adaptation in Families of Children with Special Needs", University of Washington, Seattle, Washington

This study will examine the efficacy of group efforts to teach personal coping and social support enhancement of mothers of handicapped children.

COMMUNITY HEALTH CENTERS (CHC)

Question. How does your agency involve State Departments of Health or related agencies in the operation of the CHC program?

Answer. The goal of increasing State involvement in the planning, development, and operation of Federal primary care programs is to use Federal and State resources jointly in addressing the needs of populations at high risk for morbidity and mortality. In FY 1987, HRSA entered into cooperative agreements with 25 State departments of health or similar State agencies. These agreements provide the opportunity to achieve effective systems interrelationships in bringing together Federal, State, and local manpower and dollar resources to address the needs of priority populations. The opportunity for coordination of services is maximized, and duplication of service delivery effort is minimized.

Question. How are management practices of CHCs evaluated? How many such centers, if any, have been defunded in recent years because of poor or unacceptable management practices?

Answer. Each grantee receiving CHC funding must present an annual application for continuation support. That application must present a progress report on performance objectives established for the current grant year and sufficient information for regional office staff to conduct a zero-based assessment of the grantee's need for financial support. Included in that set of information are a description of: 1) the demographics and significant health problems of the service area population; 2) the provider staffing and health services proposed to address the area's needs; 3) the costs and projected first and third party revenues associated with the proposed program and 4) the resultant need for grant support. Regional staff evaluate the adequacy of the administrative structure to run an efficient program, the financial management systems to charge, bill and collect for services provided, and the clinical management to retain and recruit providers to a strong managed care system. The attached list shows all projects which were discontinued since FY 1981. Approximately three-quarters of the list were discontinued as grantees because of unresolved problems in administrative, financial, or clinical management; in most cases, service delivery to underserved populations continued because another organization successfully applied to become the grantee or the center became a satellite of another CHC.

(The information follows:)

COMMUNITY HEALTH CENTERS

LIST OF COMMUNITY HEALTH CENTERS THAT HAVE CEASED TO EXIST IN THE FORM IN WHICH THEY WERE ORIGINALLY FUNDED

PROJECT NAME	STATE	FISCAL YEAR CHANGE OF STATUS
KODIAK AREA NATIVE HLTH	ALASKA	1982
ASHFORD CHC	ALABAMA	1982
TRIANA RURAL HEALTH	ALABAMA	1982
HENEGAR MED BOARD	ALABAMA	1982
ROCKFORD PRIMARY HLTH	ALABAMA	1982
DALEVILLE MED CTR	ALABAMA	1982
MORRIS FAM HLTH CARE	ALABAMA	1982
MAPLESVILLE AREA	ALABAMA	1982
MARGARET HLTH SVC	ALABAMA	1982
LINCOLN MED BOARD	ALABAMA	1982
HLTH CTR-PULASKI	ARKANSAS	1982
BENSON HLTH SVC	ARIZONA	1982
PUERCO VALLEY HLTH	ARIZONA	1982
MOUNTAIN COMM HLTH SVC	ARIZONA	1982
FDN FOR COMP HLTH SVC	CALIFORNIA	1982
REGIONAL RH PROGRAM	CALIFORNIA	1982
EDWARD R. ROYBAL	CALIFORNIA	1982
MISSION NHC	CALIFORNIA	1982

PROJECT NAME	STATE	FISCAL YEAR CHANGE OF STATUS
YUBA FEATHER	CALIFORNIA	1982
FAMILY HLTH OF ALVISO	CALIFORNIA	1982
H. CLAUDE HUDSON CHC	CALIFORNIA	1982
FRESNO CO. DEPT OF HLTH	CALIFORNIA	1982
DEATH VALLEY SVC AREA	CALIFORNIA	1982
NO SACRAMENTO VALLEY	CALIFORNIA	1982
EAST OAKLAND COMM HLTH	CALIFORNIA	1982
NORTHEAST RH CLINICS	CALIFORNIA	1982
SAN ANTONIO NH	CALIFORNIA	1982
STANISLAUS FAM HLTH	CALIFORNIA	1982
WEST BECKLEY HLTH	CALIFORNIA	1982
CHARLES R. DREW MED SVC	CALIFORNIA	1982
OUR LADY OF GUADALUPE	CALIFORNIA	1982
GROUP HLTH PLAN-SACRAMENTO	CALIFORNIA	1982
PUEBLO NHC	COLORADO	1982
COMM GROUP HLTH/CARDOZA	DIST. OF COLUMBIA	1982
HADLEY MEMORIAL	DIST. OF COLUMBIA	1982
MID-SUSSEX	DELAWARE	1982
HACAD MED CTR	FLORIDA	1982
RUSKIN	FLORIDA	1982
CO COMMISSIONERS - W PALM	FLORIDA	1982
DELRAY BEACH	FLORIDA	1982
ST JOHNS CO BD OF COMM	FLORIDA	1982
COCONUT GROVE	FLORIDA	1982
LONG CO MED SVC	GEORGIA	1982
MCINTOSH CO FAM MED	GEORGIA	1982
WOODBIND CHC	GEORGIA	1982
DOOLY HLTH CARE	GEORGIA	1982
INNER CITY CHC	GEORGIA	1982
KAISER FDN HLTH PLAN	HAWAII	1982
HAWAII DEPT OF HLTH	HAWAII	1982
DES MOINES RIVER VALLEY	IOWA	1982
RANDOLPH CHC	IOWA	1982
AUDOBON CO. HLTH	IOWA	1982
SE DIST HLTH DEPT	IDAHO	1982
LOST RIVERS HOSP DIST	IDAHO	1982
BROWN COUNTY	ILLINOIS	1982
METRO HLTH PLAN	INDIANA	1982
HUNTER HLTH PLAN	KENTUCKY	1982
ESTILL HLTH CARE	KENTUCKY	1982
TENSAS RH SVC	LOUISIANA	1982
TALLULAH-DELTA	LOUISIANA	1982
NORTH QUABBIN	MASSACHUSETTS	1982
BROOKSIDE PARK	MASSACHUSETTS	1982
CAMBRIDGE CITY HOSP	MASSACHUSETTS	1982
GREAT BROOK VALLEY	MASSACHUSETTS	1982
UNIV OF MASS/TRI RIVER	MASSACHUSETTS	1982
SOUTH COUNTY	MARYLAND	1982
EAST BALTIMORE	MARYLAND	1982
ARTHUR JEWELL	MAINE	1982
SEBASTICOOK VALLEY	MAINE	1982
UPPER PENINSULA	MICHIGAN	1982
GROUP HLTH SVC	MICHIGAN	1982
SHARE, INC	MINNESOTA	1982
BARNESVILLE HLTH SVC	MINNESOTA	1982

PROJECT NAME	STATE	FISCAL YEAR CHANGE OF STATUS
PINE COUNTY	MINNESOTA	1982
MN DEPT OF HLTH	MINNESOTA	1982
CHC-JEFFERSON COUNTY	MISSOURI	1982
PEOPLES CLINIC	MISSOURI	1982
EAST CENTRAL MS HLTH	MISSISSIPPI	1982
CENTRAL DELTA	MISSISSIPPI	1982
FAYETTE CITY	MISSISSIPPI	1982
HOLMES COUNTY	MISSISSIPPI	1982
MISS STATE BOARD	MISSISSIPPI	1982
SE MONTANA RH	MONTANA	1982
BIG HORN	MONTANA	1982
SOUTH CUMBERLAND	NORTH CAROLINA	1982
TRI COUNTY	NORTH CAROLINA	1982
BOARD OF DIR GROWTH	NORTH CAROLINA	1982
SOUTHEAST MED SVC	NORTH CAROLINA	1982
HYDE RURAL HLTH	NORTH CAROLINA	1982
GREENE COUNTY	NORTH CAROLINA	1982
BENSON AREA	NORTH CAROLINA	1982
NE OMAHA	NEBRASKA	1982
JICARILLA APACHE	NEW MEXICO	1982
LA CLINICA DEL VALLE	NEW MEXICO	1982
PRESBYTERIAN MED SVC	NEW MEXICO	1982
S NEVADA HLTH SVC	NEVADA	1982
UNIV HLTH CTR-RENO	NEVADA	1982
LETCHWORTH AREA	NEW YORK	1982
BETANCES HLTH UNIT	NEW YORK	1982
ALBERT EINSTEIN	NEW YORK	1982
RONALD FRAZER	NEW YORK	1982
CATCH	NEW YORK	1982
CENTRAL SQUARE	NEW YORK	1982
CHARLES DREW	NEW YORK	1982
ST AUGUSTINES	NEW YORK	1982
TUSCAROWAS PRIM CARE	OHIO	1982
MONTGOMERY CO HLTH DISTRICT	OHIO	1982
GROUP HLTH/NE OHIO	OHIO	1982
OHIO VALLEY HLTH SVC	OHIO	1982
MED FDN OF BELLAIRE	OHIO	1982
DEPT OF HUMAN RESOURCES	OHIO	1982
WESTERN LUCAS CO.	OHIO	1982
LITTLE DIXIE COMM ACTION	OKLAHOMA	1982
VIRGINIA GARCIA	OREGON	1982
URBAN INDIANS-PORTLAND	OREGON	1982
KAISER-PORTLAND	OREGON	1982
PATTON	PENNSYLVANIA	1982
MISTY VALLEY	PENNSYLVANIA	1982
NORTHEAST HLTH CARE	PENNSYLVANIA	1982
PUNXSATAWNEY AREA	PENNSYLVANIA	1982
WELSH MT RURAL	PENNSYLVANIA	1982
EGER	PENNSYLVANIA	1982
TRI-TOWN	PENNSYLVANIA	1982
MOUNTAIN TOP	PENNSYLVANIA	1982
MAHANDY AREA	PENNSYLVANIA	1982
PAWTUCKET NHC	RHODE ISLAND	1982
LANDRUM ESTATES	SOUTH CAROLINA	1982
LEE COUNTY	SOUTH CAROLINA	1982

PROJECT NAME	STATE	FISCAL YEAR CHANGE OF STATUS
SEA ISLAND	SOUTH CAROLINA	1982
FAIRFIELD FAM MED	SOUTH CAROLINA	1982
LENNOX AREA	SOUTH DAKOTA	1982
MIDDLETON MED CTR	TENNESSEE	1982
GOODLARK RURAL	TENNESSEE	1982
BUENA SALUD HLTH SYS	TEXAS	1982
CHC OF DALLAS	TEXAS	1982
LA CLINICA AMISTAD	TEXAS	1982
MEDINA CO COMMISSIONER'S	TEXAS	1982
JARVIS-HAWKINS	TEXAS	1982
PRAIRIE VIEW A&M	TEXAS	1982
FAMILY HLTH PROG	UTAH	1982
WENDOVER MED CLINIC	UTAH	1982
TROUTDALE	VIRGINIA	1982
CHESAPEAKE HLTH	VIRGINIA	1982
PITTSYLVANIA	VIRGINIA	1982
PUNGO	VIRGINIA	1982
BLACK ROVER HC	VERMONT	1982
SHOREWELL	VERMONT	1982
VASHON-MAURY HLTH SVC	WASHINGTON	1982
GROUP HLTH COOP-PUGET SOUND	WASHINGTON	1982
URBAN INDIAN-SEATTLE	WASHINGTON	1982
COMM HLTH BD-SEATTLE	WASHINGTON	1982
NW RURAL OPPOR	WASHINGTON	1982
FORT GAY PRIMARY HLTH	WEST VIRGINIA	1982
LITTLE HUFF CREEK	WEST VIRGINIA	1982
HARTS HEALTH CLINIC	WEST VIRGINIA	1982
GULF AREA	WEST VIRGINIA	1982
UPPER KANAWHA	WEST VIRGINIA	1982
COMMU HLTH FDN OF MAN	WEST VIRGINIA	1982
NEW RIVER	WEST VIRGINIA	1982
BRAXTON MED CTR	WEST VIRGINIA	1982
INTERCOUNTY HLTH	WEST VIRGINIA	1982
COPLIN MEMORIAL	WEST VIRGINIA	1982
SNEAD MED BOARD	ALABAMA	1983
TEN COMMUNITY HLTH CTRS	CALIFORNIA	1983
MID COUNTY MEDICAL	FLORIDA	1983
MOHAWK VALLEY MED CTR	MASSACHUSETTS	1983
QUEEN ANNE CO. HLTH	MARYLAND	1983
URGENT RURAL NEEDS	MISSISSIPPI	1983
CITY OF FAYETTE	MISSISSIPPI	1983
WHITE OAK HLTH SVC	NORTH CAROLINA	1983
DUNN CHC	NORTH DAKOTA	1983
MEMORIAL FALLS	NEW JERSEY	1983
CUMBERLAND REG HLTH	NEW JERSEY	1983
DIST HOSP AMBUL CARE	NEW YORK	1983
MOTON	OKLAHOMA	1983
CHAP	PENNSYLVANIA	1983
NORTH CAMBRIA	PENNSYLVANIA	1983
ELKMONT RURAL HLTH CRT	ALABAMA	1984
SIPSEY COMM HLTH CTR	ALABAMA	1984
KAISER FND HLTH PLAN, INC.	CALIFORNIA	1984
BARTOW HLTH CTR	GEORGIA	1984

PROJECT NAME	STATE	FISCAL YEAR CHANGE OF STATUS
RATHBUN HLTH SVCS, INC	IOWA	1984
METHODIST HOSP OF IN, INC	INDIANA	1984
CHASE CO HLTH SVCS, INC	KANSAS	1984
POCOMOKE CITY AREA HLTH	MARYLAND	1984
NO. DORCHESTER HLTH SVC	MARYLAND	1984
CITIZENS FOR IMPROV	MICHIGAN	1984
DOWAGIAC	MICHIGAN	1984
SE MONTANA RURAL HEALTH	MONTANA	1984
QUESTA HLTH CTR	NEW MEXICO	1984
SO. BROOKLYN HLTH CTR	NEW YORK	1984
COMP HLTH SERVICE PLAN	PENNSYLVANIA	1984
MANTUA COMM. PLANNERS	PENNSYLVANIA	1984
ANDREWS MED BOARD, INC	SOUTH CAROLINA	1984
SO. TEXAS F/P AND HLTH	TEXAS	1984
CHAMPLAIN IS. HLTH CRT	VERMONT	1984
GRAND COULEE AREA HLTH	WASHINGTON	1984
NORTH VALLEY COMM HLTH	WASHINGTON	1984
DALEVILLE MED CTR	ALABAMA	1985
SARDIS CITY MED CLINIC	ALABAMA	1985
HURTSBORO FAM PRACTICE CTR	ALABAMA	1985
WATERLOO MED BOARD	ALABAMA	1985
SAN LUIS VALLEY CHC HMO	COLORADO	1985
HENDRY GLADES CO HLTH SVCS	FLORIDA	1985
SARASOTA CO. BD OF COMMISS	FLORIDA	1985
RURAL HLTH OF SE IN	INDIANA	1985
BUCKHORN LAKE AREA HLTH	KENTUCKY	1985
MOUNTAIN COMP-OWSELY CO	KENTUCKY	1985
DE SOTO COMP HLTH SVC	LOUISIANA	1985
PENINSULA HLTH COMM INC	MASSACHUSETTS	1985
NO CENTRAL BALTIMORE HLTH	MARYLAND	1985
RURAL HLTH ASSOC	MAINE	1985
PENOBSCOT BAY MED CTR	MAINE	1985
BORDER AREA HLTH SVCS	MINNESOTA	1985
NOXAPATER HLTH CTR, INC	MISSISSIPPI	1985
THE COMM MED FDN	NORTH CAROLINA	1985
WEST CALDWELL HLTH CNCL	NORTH CAROLINA	1985
APPALACHIAN DIST HLTH DEPT	NORTH CAROLINA	1985
SO CUMBERLAND HLTH CARE	NORTH CAROLINA	1985
SOUTHEAST NEBRASKA RHC	NEBRASKA	1985
SANDHILLS DEV CORP	NEBRASKA	1985
THE VALLEYS COMM MED CTR	PENNSYLVANIA	1985
CROSS FAMILY HLTH CTR	SOUTH CAROLINA	1985
FAIRFIELD FAM MED CTR	SOUTH CAROLINA	1985
HANCOCK CO HLTH DEPT	TENNESSEE	1985
TENN MIG. HLTH-TENN DEPT	TENNESSEE	1985
CARTER CO.-TENN DEPT OF PUB	TENNESSEE	1985
EAST TENN-LAFOLLETTE	TENNESSEE	1985
SAN MARCOS-HAYS	TEXAS	1985
INNER CITY DEVELOP PROJ	WISCONSIN	1985
LINCOLN PRIMARY CARE CTR	WEST VIRGINIA	1985
APPALACHIAN HLTH COOP, INC	WEST VIRGINIA	1985
SOUTHWEST AL HLTH SVCS	ALABAMA	1986
WESTEL HLTH SVCS, INC	ALABAMA	1986

PROJECT NAME	STATE	FISCAL YEAR CHANGE OF STATUS
N. ARKANSAS HUMAN SVCS	ARKANSAS	1986
REG RH PROG/DIXON FAM PRAC	CALIFORNIA	1986
STANISLAUS FAM HLTH CTRS	CALIFORNIA	1986
MOJAVE DESERT HLTH SVCS	CALIFORNIA	1986
HIGH PLAINS MED CTR	COLORADO	1986
ELBERT EMS COUNCIL	COLORADO	1986
UNIVERSITY HOSPITAL	FLORIDA	1986
EASTSIDE HLTH CTR	GEORGIA	1986
VILLAGE HLTH CLINIC, INC	GEORGIA	1986
GLENNS FERRY AREA RH	IDAHO	1986
MILE SQUARE HLTH CTR	ILLINOIS	1986
GARY COMMUNITY HLTH CTR	INDIANA	1986
WASHINGTON CO. HORIZONS	KANSAS	1986
ST TAMMANY HLTH FDN	LOUISIANA	1986
RURAL COMM HC IN MAINE	MAINE	1986
HOT SPRINGS HLTH PROG	NORTH CAROLINA	1986
BENSON AREA MED CTR, INC	NORTH CAROLINA	1986
BUNN COMM HLTH CTR, INC	NORTH CAROLINA	1986
OMNI CARE/HMO	NEW JERSEY	1986
HARLEM HOSP PRI CARE NET	NEW YORK	1986
PRYME	NEW YORK	1986
SEGUNDO RUIZ-BELVIS	NEW YORK	1986
CONEY ISLAND HOSP	NEW YORK	1986
MASSIVE EAST BRONX COMPRE	NEW YORK	1986
SUFFOLK CO MIGRANT HLTH	NEW YORK	1986
COUNCIL's AMBUL CARE	NEW YORK	1986
SOUTH QUEENS CHC	NEW YORK	1986
INTERFAITH HOSP	NEW YORK	1986
FAMILY DEV PROGRAM, INC.	OHIO	1986
BIG VALLEY AREA MED CTR	PENNSYLVANIA	1986
LEE MED PRACTICE	SOUTH CAROLINA	1986
SOUTH HORRY CO MED CTR	SOUTH CAROLINA	1986
EAGLE BUTTE COMM CLINIC	SOUTH DAKOTA	1986
CENTRAL DAKOTA RURAL HLTH	SOUTH DAKOTA	1986
MCCOOK/HANSEN HLTH CARE	SOUTH DAKOTA	1986
DOUGLAS COMM HLTH AND REC	TENNESSEE	1986
SOUTHEASTERN REG-TN DEPT OF	TENNESSEE	1986
SHILOH PICKWICK HLTH SVCS	TENNESSEE	1986
CUMBERLAND FAM HLTH CARE	TENNESSEE	1986
KNOX CO HLTH DEPT	TENNESSEE	1986
POOR PEOPLE'S HLTH CNCL	TENNESSEE	1986
SAN JACINTO CO HLTH SVCS	TEXAS	1986
FOURTH WARD CLINIC	TEXAS	1986
UNIV OF UTAH DEPT OF FAM	UTAH	1986
DAWN PROGRESSIVE ASSOC	VIRGINIA	1986
SOUTHSIDE HLTH CTR	VIRGNINA	1986
MIGRANT AND SEASONAL FARM.	VIRGINIA	1986
LAKE QUINAULT MED CLINIC	WASHINGTON	1986
NORTH BEACH HLTH CARE	WASHINGTON	1986
COMMUNITY MEMORIAL HOSP	WISCONSIN	1986
TRI-DISTRICT COMM HLTH	WEST VIRGINIA	1986
ST. GEORGE MED CLINIC	WEST VIRGINIA	1986
FAMILY HLTH SVCS, INC	WEST VIRGINIA	1986
CAMERON CHC, INC	WEST VIRGINIA	1986
MED CTR OF TAYLOR CO.	WEST VIRGINIA	1986

Question. How many centers, if any, have lost Federal support in recent years because of a determination that they no longer serve areas with the demonstrated need for primary care services?

Answer. We estimate that 10 to 20 percent of the grants discontinued in the past six years were the result of changing demographics of the geographical area served by the grantee. In most of these cases, the primary care services continue to be provided and are supported by patient fees and third party revenues.

MIGRANT HEALTH CENTERS

Question. What kinds of environmental assessment activities are conducted under the Migrant Health program?

Answer. Since its early years the Migrant Health Program has been involved, either independently or in coordination with other agencies and programs, in efforts to improve the environmental conditions affecting migrants and seasonal agricultural workers. These efforts include:

- Training of MHC clinical and administrative staff on the identification and reporting of selected improper environmental conditions such as pesticide exposure and lead poisoning.
- Development and publishing the "Guide to the Development of a Pesticide Health Hazard Management Program". This was produced for administrative use and emphasized the need for data collection and reporting by all migrant health centers. Using this Guide a series of training workshops were offered jointly with the Environmental Protection Agency under an interagency agreement. Approximately 900 people including public health officials from State and local health departments and migrant clinic physicians and nurses participated in the training over the last 4 years.
- Since 1980 the Migrant Health Center has been funding the Migrant Environmental Services Assistance Project (MESA) through the National Demonstration Water Project (NWDP). This project focuses on environmental health -- water supply, sanitation, housing conditions, waste disposal, field sanitation. In addition to providing direct technical assistance, NDWP has also produced publications directed at assisting migrant health centers with solving water and environmental health problems faced by migrants and farmworkers throughout the country. The projects have ranged from the relatively simple, such as helping a MHC identify contaminated water and assisting in selecting the appropriate water treatment -- to preparing strategy for water and wastewater system development. In addition, efforts include assisting in the development of water-related education programming. This program has always had an active research and information component. It has also been involved in the development of a position description for PHS Sanitarian in South Texas to date with environmental conditions and strategic planning.

- In 1986 the Migrant Health Program funded a study by the FArmworker Justice Fund, Inc. and "The Occupational Health of Migrant and Seasonal Farmworkers in the United States". Individual MHCs are traditionally involved in the environmental area because of their catalyst role in the community and the health effects and poor conditions affects. MHCs review existing literature and data on the occupational health of farmworkers. The report provides information to stimulate further research on migrant and seasonal farmworkers, their work conditions, and the accompanying health hazards they face. Furthermore, the report can be regarded as an educational tool for Federal agencies, M/CHCs, researchers, advocacy groups and the public in general.

Question. What has been learned from these assessments?

Answer. That some environmental improvements have been made since the beginning of migrant farm labor in this country but to this point, there is no comprehensive body of information against which to measure the success of failure of these programs.

Question. What kinds of environmental deficiencies have been found?

Answer. The following environmental deficiencies have been identified:

- The migrant population suffers health problems related to poor sanitation and overcrowded living conditions at rates much higher than the non-migrant population.
- Provision, maintenance, and use of field sanitation facilities such as toilets, handwashing facilities and sufficient potable drinking water at the worksite would substantially decrease the incidence of sanitation-related health problems among farmworkers.
- Parasitic infections afflict migrant farmworker adults and children at an average of 20 times more than the general population.
- The full extent of both acute and chronic pesticide poisoning still is not know and needs further study.
- The health problems most frequently reported at migrant health clinics include dermatitis, injuries, respiratory problems, musculoskeletal ailments, eye problems, gastrointestinal problems, hypertension, and diabetes.
- Agriculture is the second most dangerous occupation in the United States.

This information has been provided from the publication entitled "The Occupational Health of Migrant and Seasonal Farmworkers in the United States" as cited above.

Question. What has been the impact of the Migrant Health program use of birthing centers targeted to high-risk mothers and infants?

Answer. The Migrant Health Program has funded 4 Birthing Centers -- two in Texas and one each in Oregon and California. Birthing Centers, by definition, are aimed to served low-risk mothers and infants. However, due to the establishment of Birthing Centers in Migrant Health Centers, a broader service of perinatal care is made available to traditionally high-risk mothers and infants from the farmworker population and subsequently there have been increased positive outcomes shown by this population.

Question. How does the interagency agreement between HCFA and the Migrant Health program work?

Answer. The operation of this program is established through a yearly Interagency Agreement between the Health Resources and Services Administration -- HRSA -- and the Health Care Financing Administration -- HCFA. This Interagency Agreement authorizes the Office of Direct Reimbursement in HCFA to reimburse hospitals and providers for services rendered to migrant farmworker beneficiaries under the Migrant Hospitalization Program from funds made available for the Bureau of Health Care Delivery and Assistance, Migrant Health Program.

Seventy percent of the allocation amount for the Migrant Hospital Program is allocated for maternity, newborn and infant care; and 30 percent for inpatient care of migrant farmworkers and family members with life threatening or other urgent conditions.

The arrangement for reimbursement involves a four part agreement between the participating Migrant Health Center, the contracting hospital, the Migrant Health Program, and the HCFA. The participating hospitals are reimbursed for services by the ODR/HCFA on a negotiated rate.

Question. How does the Migrant Health program increase community capacity to provide services to migrants?

Answer. The establishment and operation of Migrant Health Centers in areas of high migrant impact -- over 4,000 migrants -- has been the primary source of increasing communities' capacity to deal with the health care needs of the migrant farmworker population. In addition, a number of State Health Departments or Statewide organizations are funded to provide health services through contractual arrangements with the existing medical community.

Question. What has been the impact of this effort?

Answer. All MHCs are encouraged to establish a network with other service providers -- medical and/or social -- in order to meet the needs of the migrant farmworker population. This networking has resulted in a better understanding of the migrant and seasonal farmworkers population's unique health needs and in the development of local support systems which enhances the community access.

Question. How is quality of care evaluated under the Migrant Health program?

Answer. Evaluation of the quality of care provided by MHCs include the following:

- Operation of Quality Assurance Programs by all MHCs
- On-site peer reviews
- Monitoring of clinical indicators as required by the Bureau Common Reporting Requirements -- BCRR
- On-site assessments by Central and Regional Offices clinical staff
- Review and input by the Governing Board of Health Center

NATIONAL HEALTH SERVICE CORPS (NHSC)

Question. How many high priority health manpower shortage areas are there where you have been unable to meet requests for the NHSC personnel?

Answer. For all practical purposes, I can assure you that over the the last few years we have been able to meet the need of almost all high priority health manpower shortage areas that have requested Corps personnel. The areas for which we have been unable to provide staffing have not been, in our judgment, high enough in priority to warrant the assignment of NHSC personnel.

Question. Given the fact that the numbers of National Health Service Corps scholarship obligors will be declining, how will you meet requests for personnel in shortage areas in the future?

Answer. We do not believe it is the Federal responsibility to meet the health manpower needs of all of the communities in this country. We are aware of a broad array of State and local training and placement programs that have been established over the past 20 years. We expect that those programs as well as the continuing increase in this country's physicians supply and the diffusion of those physicians into smaller and smaller communities will be of substantial assistance in meeting the need for personnel in shortage areas in the future. With our remaining scholarship obligors who will be available for placement we should be able to meet any legitimate needs.

HEALTH PROFESSIONS

Question. What is the current situation regarding the enrollment of minority persons in health professions educational institutions compared with ten years ago?

Answer. In each of the seven health professions there has been a definite increase in both actual numbers of minorities enrolled and in minorities as a percentage of the total enrollment.

(The information follows:)

Discipline	Year	Minority Enrollment	Percent of Total Enrollment	Year	Minority Enrollment	Percent of Total Enrollment
Allopathic Medicine	1975	6,361	11.4%	1985	10,522	15.7%
Osteopathic Medicine	1973	70	2.5%	1983	411	6.6%
Dentistry	1974	1,823	9.1%	1984	3,383	14.1%
Optometry	1974	279	7.5%	1984	532	11.5%
Podiatry	1975	125	6.0%	1985	407	14.8%
Veterinary Medicine	1974	199	3.4%	1984	520	5.7%
Pharmacy	1974	1,684	7.5%	1984	2,939	15.6%

Question. Isn't it true that Black and other minority graduates of health professions schools are more likely to establish practices in Black or other minority communities which are often manpower shortage areas?

Answer. A 1985 Department study, "Location Patters of Minority and Other Health Professionals," based on the 1980 Census information data, shows that practitioners of some racial ethnic backgrounds were more likely to reside in areas with high percentage of poverty. Except for Asians, practitioners of all racial/ethnic minority groups were more likely to reside in such areas than white practitioners. The likelihood of practitioners residing in high poverty communities, usually health manpower shortage areas, appears to be related to the percentage of their respective population groups residing in such areas.

A study on the "Effects of Affirmative Action in Medical Schools" of the 1975 graduates of U.S. Medical schools published in 1985 in the "New England Journal of Medicine: shows that a larger proportion of minority graduates chose primary care specialties and significantly more minority physicians - 12 percent vs. 6 percent for non-minorities - practiced in locations designated as health manpower shortage areas and had more Medicaid recipients in their patient populations - 31 percent for blacks, 24 percent for Hispanics and 14 percent for whites.

Question. What will be the impact of the proposed zero funding for programs in nurse practitioner and nurse midwife training on the availability of such primary care personnel in health manpower shortage areas?

Answer. Over the past 10 years, there has been a significant shift from certificate level to master's level nurse practitioner and nurse midwifery programs. As a result, approximately 80 percent of these programs are now integrated into master's programs in graduate schools of nursing. This shift has created an economic base for these programs which previously did not exist, and they should be able to continue the momentum afforded by past Federal assistance.

Question. What evidence can you submit that would support a conclusion that the numbers of graduate nurses, nurse faculty, nurse midwives, and nurse practitioners are in excess of the need for such personnel?

Answer. The number of nurses in the supply with graduate degrees is six times larger than it was twenty years ago. There were an estimated 95,300 registered nurses with graduate degrees in the active supply at the end of 1985 compared to 15,300 such nurses in 1965. Data in the "Fifth Report to the President and Congress on the Status of Health Personnel in the United States, March 1986, provide estimates that the number of those with graduate degrees will continue to increase at a significant rate, providing for almost twice as many available for employment by the year 2000 than were in the active supply in 1985.

Question. What will be the impact of your proposal that lenders assume 20 percent of the defaults under the HEAL program on the availability of loans under this program?

Answer. While a number of lenders have indicated that they will drop out of the program if this provision is passed, there will still be sufficient lenders to handle HEAL loans. Lenders have indicated that they may be more selective in their approval of loan recipients.

Question. What should we be doing to insure that economically disadvantaged students have access to health professions education in light of increasing tuition costs?

Answer. Financial student assistance will continue to remain available to economically disadvantaged students/individuals who wish to pursue a health career. In both FY 1987 and FY 1988, approximately $49 million will be available from the Health Professions Student Loan revolving accounts maintained in participating institutions to assist an estimated 19,600 economically needy students each year. In addition, the HEAL program, the Guaranteed Student Loan program (Department of Education), and other Federal, State and private loans ae available sources of financial support for health professions students to cover the cost of increasing tuition and other educational costs.

Question. What progress has been made in reducing delinquencies and defaults in health profession student loans? Describe the efforts you have made to reduce loan default rates.

Answer. The delinquency rate in health professions student loans has decreased from 12 percent in 1981 to 2.54 percent in 1986.

The Department has taken a number of steps to reduce delinquency rates:

1. Dissemination of nine policy memoranda to participating schools to present the findings of the GAO and IG reports, to establish the activities which should be undertaken by the schools and the Federal Government to correct identified problems, and to identify corrective actions which could be taken to lower delinquency rates; 2. Development of substantive regulations to provide clarifying guidelines for enforcing program management changes which include a required delinquency rate performance standard to be met by schools in order to continue participation in

the program; 3. Implementation of a comprehensive fiscal reporting system for schools showing borrower and dollar activities from which delinquency rates can be monitored; 4. Development of and request for legislative amendments to enhance collection and management activities; 5. Conduct of nine national workshops to provide Federal and institutional peer group practices and collection activities which could assist schools in improving management of the programs; 6. Provision of individual attention for schools through more than 1,200 program reviews and technical assistance visits; 7. Discussion of program requirements at local, regional, and national professional meetings of associated groups; 8. Establishment of a Delinquency Prevention Program for schools which provides a series of warning letters on U.S. Government letterhead which may be used by institutions to mail to delinquent borrowers; and 9. Implementation of legislative amendments enacted by Public Laws 99-92 and 99-129.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. INOUYE

PODIATRY TRAINING

Question. It is my understanding that our Nation is currently experiencing a critical shortage of podiatrists and further that HHS's own estimates suggest that we will continue to experience a significant shortage of podiatrists well into the next century. Is this correct, and if so, what plans has the Administration developed for addressing this issue?

Answer. According to data in the "Fifth Report to the President and Congress on the Status of Health Personnel in the United States," March 1986, as of December 1985 there were approximately 10,500 podiatrists in the U.S. With the increase in the number of podiatry schools to six and possibly seven, the supply of podiatrists will steadily increase during the next several years, reaching approximately 12,700 in 1990 and 17,100 in 2000.

The primary problem appears to be that of geographic maldistribution of podiatrists. Podiatrists, like other specialized medical practitioners, must locate their practices in areas that have a population density sufficient to generate an adequate patient census. Consequently, less than 5 percent of podiatrists' offices are found in communities of fewer than 10,000 population and 45 percent are in cities of 100,000 population or more. In rural areas, general and family physicians are likely to provide some of the services that podiatrists would provide if they were available.

Question. I would also appreciate learning of the status of the special rural and urban underserved podiatry training initiative which the Committee requested last year.

Answer. Eight clinical training sites were established in rural and urban areas of need, which provided training for a total of 106 podiatric medicine students. The sites are located in: Pittsburgh, Pennsylvania; St. Louis, Missouri; Baltimore, Maryland; Norfolk, Virginia; East Los Angeles, California; and Iowa Falls, Osceola and Audubon, Iowa. The grants also enabled these colleges to increase significantly their efforts to recruit first year podiatric students from shortage areas.

QUESTIONS SUBMITTED BY SENATOR LOWELL P. WEICKER, JR.

HEALTH EDUCATION ASSISTANCE LOANS (HEAL)

Question. Dr. Sundwall, last year the Administration proposed limiting the loan guarantee on HEAL to $100 million. Congress rejected this proposal and insisted on a limit of $290 million. Why are you proposing to limit the loan guarantee to $100 million again.

Answer. Because of the high repayment cost of HEAL loans to the borrower - as well as potentially to the Federal Government should defaults continue to rise significantly - we believe it should serve only as a loan of last resort. Students most in need will continue to have access to Health Professions Student Loans, as well as the Department of Education Guaranteed Student Loans and other Federal, State and private sources.

Question. How will limiting the loan guarantee affect current borrowers?

Answer. The $100 million insurance ceiling will allow loans to be made to a total of 10,000 borrowers in FY 1988.

Question. How will it affect new ones?

Answer. In accordance with current legislative authority, new borrowers are eligible to receive HEAL loans in FY 1988.

Question. Aren't these loans designed to help those students who might otherwise not have the money to pay for an education in the health professions field?

Answer. The HEAL program is considered to be the last resort for students seeking financial assistance. Students most in need will continue to have access to Health Professions Student Loans, as well as the Department of Education Guaranteed Student Loans, and other Federal, State, and private sources.

Question. Last year, there was some concern about how these loan funds were being released. In response to this concern, the FY 1987 appropriations bill specifically directed the Secretary to release these funds "without regard to any apportionment or other similar limitation."

I presume the funds are currently being released in accordance with the law. Do you have any plans to apportion the funds next year?

Answer. The Department is following the FY 1987 apporpriation's language. For FY 1988, assuming the FY 1987 language is not extended consistent with our FY 1988 request, we would seek apportionment consistent with the Anti-Deficiency Act to ensure effective allocation of HEAL commitments.

NURSE TRAINING

Question. Dr. Sundwall, there is no member of this

Subcommittee who has worked harder to restore proposed cuts and provide increases in the nursing programs included in the Federal Health Budget than Senator Inouye from Hawaii. Year after year these programs are proposed to be cut or eliminated, and year after year Senator Inouye refutes the Administration's claim that there is a surplus of nurses with the facts that show there is a very real need for well trained nurses throughout the country.

Once again, this year the Administration justifies eliminating all nursing funds by saying "in view of projected National surpluses of most health professions categories by the end of this decade and their improving geographic distribution, continued Federal aid for the training of most health professionals is no longer required."

How do you respond to a 1986 American Hospital Association survey that found the vacancy rate for registered nurses in U.S. hospitals has more than doubled between 1985 and 1986?

Answer. The 1986 data to which you refer came from a study carried out by the American Organization of Nurse Executives, a personal membership organization of the American Hospital Association. Questionaires were sent to about one-third of the 7,000 hospitals in the country. Of the 2,316 hospitals receiving a questionaire, about 44 percent responded.

Projections to the end of the century suggest that we will have an adequate number of nurses.

The need for nursing resources has been undergoing changes since the Prospective Payment System has been put into effect. Developing trends in the hospitals to increase significantly RN-to-patient ratios may be precipitating concerns about shortages. It is not clear whether this is a short-term adjustment phenomenon or a developing trend.

Question. A representative of the American organization of Nurse Executives has stated that the current shortage of nurses is more serious than others in the past "because it involves all types of nurses in all kinds of hospitals and in all regions of the country."

Dr. Sundwall, given these reports why would you propose cutting any of the nurse training funds, much less all of them?

Answer. States, the health care industry, and the private sector should assume primary responsibility for using the resources developed with Federal assistance to assure the production of an adequate nursing supply.

MATERNAL AND CHILD HEALTH

Question. Dr. Sundwall, since last year, the authorized funding level for the Maternal and Child Health program has been increased $75 million and yet you propose no increases in this program which has been frozen for years.

Why haven't you proposed any increases in a program which is one of the main sources of support for assisting the States in their efforts to provide adequate health care for mothers and children who otherwise do not have access to such care?

Answer. In 1982 the funding level for Title V was $374 million. The FY 1986 level was $457 million, and the FY 1987 level is $478 million. We have not requested the additionally authorized $75 million for a number of reasons. We believe that increases in this program over the last several years have been adequate to assist States in carrying out their responsibilities, especially since States are now empowered by the block grant legislation to identify their particular priority needs and to apply their Federal resources accordingly. Nevertheless, we recognize that there is a special problem with respect to infant mortality, and the Department a proposed an $85 million initiative under the legislative authority administered by the Health Care Financing Administration to address that issue. We also believe that it is essential to restrain further increases as much as possible in light of the budget deficit.

AIDS DEMONSTRATION PROJECTS

Question. Dr. Sundwall, for the last two years Congress has appropriated money for AIDS Demonstration Projects designed to provide health care services for AIDS patients in community settings as an alternative to inpatient care.

While the money has been appropriated to the General Departmental Management Account, the projects are administered through your Agency.

What is the status of these demonstration projects?

Answer. On September 30, 1986 grants totaling $15.3 million were awarded to four Standard Metropolitan Statistical Areas. The grants, each for three years, included New York ($8,147,059), San Francisco ($3,197,114), Los Angeles ($2,567,121) and Miami ($1,360,706).

Question. Do you think the Federal government should continue to explore alternatives to inpatient care that may not only better meet the needs of AIDS patients but could also prove cost effective?

Answer. Yes, one of the purposes of the AIDS Demonstration Projects is to examine alternatives to inpatient care for AIDS patients. Also, one aspect of an evaluation study of the demonstration project we are proposing will analyze the costs of care to AIDS patients utilizing alternatives to hospitalization.

MEDICAID COSTS FOR AIDS

Question. Dr. Windom, yesterday I asked Dr. Roper, the Administrator of the Health Care Financing Administration, what his agency was doing to prepare for the large increase in medicaid costs that we can predict as more cases of AIDS are reported.

According to the Surgeon General's Report on AIDS, "in the year 1991, an estimated 145,000 patients with AIDS will need health and supportive services at a total cost of between $8 and $16 billion dollars."

The National Academy of Sciences report on AIDS states that "most of the public funds for care of AIDS patients come through the Medicaid program."

Dr. Roper indicated that HCFA has set up a task force to look at this issue.

Is the Department doing anymore to prepare for such a large increase in Medicaid costs? Have you considered any alternatives to inpatient care which may not only better meet the needs of AIDS patients but could also prove cost effective?

Answer. Yes, the Intradepartmental Task Force on AIDS Health Care Delivery has been established to examine the delivery issues associated with care to AIDS patients. The Task Force plans to include in its Final Report to the Assistant Secretary for Health what the service delivery gaps are and how best to address those gaps. Alternatives to inpatient hospitalization will be included in the Task Force Report.

Question. What is the status of the AIDS demonstration projects congress has appropriated money for in the last two years?

Answer. On September 30, 1986 grants totaling $15.3 million were awarded to four Standard Metropolitan Statistical Areas. The grants, each for three years, included New York ($8,147,059), San Francisco ($3,197,114), Los Angeles ($2,567,121) and Miami ($1,360,706).

SUBCOMMITTEE RECESS

Senator Chiles. Thank you very much. The subcommittee will stand in recess until Tuesday morning at 10 a.m., when we will meet in SD–138.

[Whereupon, at 11:11 a.m., Thursday, March 5, the subcommittee was recessed, to reconvene at 10 a.m., Tuesday, March 10.]

LIST OF WITNESSES, COMMUNICATIONS, AND PREPARED STATEMENTS

Page
Altman, Stuart H., Chairman, Prospective Payment Assessment Commission, biography of ... 784
Alvarado, Donna M., Director, ACTION ... 203
  Prepared statement ... 205
Arterbery, Vivian J., Executive Director, National Commission on Libraries and Information Science ... 329
  Biography of ... 347
Augustson, Kent, Budget Officer, Alcohol, Drug Abuse, and Mental Health Administration, Department of Health and Human Services ... 801
Beldon, William, Budget Officer, Office of the Assistant Secretary for Management and Budget, Department of Health and Human Services ... 801, 875
Bonner, Daniel, Associate Director for Domestic Operations, ACTION ... 203
Brock, William E., Secretary of Labor, Department of Labor ... 1
  Biography of ... 9
  Prepared statement ... 6
Buckley, E. Ross, Chairman, Occupational Safety and Health Review Commission ... 585
  Prepared statement ... 585
Bumpers, Dale, U.S. Senator from Arkansas, questions submitted by ... 106, 279, 361, 765
Byrd, Robert C., U.S. Senator from West Virginia, questions submitted by ... 102, 762

Chamberlain, C.J., labor member, Railroad Retirement Board ... 287
Collyer, Rosemary M., General Counsel, National Labor Relations Board ... 567
  Prepared statement ... 570
Crawford, John D., management member, Railroad Retirement Board ... 287

Domenici, Pete V., U.S. Senator from New Mexico, questions submitted by ... 119, 147, 200, 237, 285, 304, 389, 415, 504, 517, 526, 580, 591, 599, 717, 772, 798
Dotson, Donald L., Chairman, National Labor Relations Board ... 567
  Prepared statement ... 568
Doyle, William J. III, Inspector General, Office of Inspector General, Railroad Retirement Board ... 307
  Prepared statement ... 308

Elder, Jean K., Assistant Secretary Designate for Human Development Services, Office of Human Development Services, Department of Health and Human Services ... 125
  Prepared statement ... 127

Fauci, Dr. Anthony S., Director, National Institute of Allergy and Infectious Diseases, and National Institutes of Health Acquired Immune Deficiency Syndrome Research Coordinator, Department of Health and Human Services ... 620
Feinleib, Dr. Manning, Director, National Center for Health Statistics, Department of Health and Human Services ... 619

Page
Forbush, Wilford J., Deputy Assistant Secretary for Health Operations and Director, Office of Management, Office of Assistant Secretary for Health, Department of Health and Human Services ... 619, 801
Ford, Ford B., Chairman, Federal Mine Safety and Health Review Commission ... 593
  Prepared statement ... 593
Frieden, Lex, Executive Director, National Council on the Handicapped ... 391
  Biography of ... 398

Gasper, Jo Ann, Deputy Assistant Secretary for Population Affairs, Office of Assistant Secretary for Health, Department of Health and Human Services ... 619
Genebach, Lowell, Budget Officer, ACTION ... 203
Gielow, Robert A., Chairman, Railroad Retirement Board ... 287
  Prepared statement ... 288
Ginsburg, Paul, Executive Director, Physician Payment Review Commission ... 529
Goldstein, Norman, Director, Office of Management Services, Office of Human Development Services, Department of Health and Human Services ... 125
Gordis, Enoch, Director, National Institute on Alcohol, Drug Abuse, and Alcoholism, Department of Health and Human Services ... 801

Hanley, William L., Jr., Chairman, Board of Directors, Corporation for Public Broadcasting ... 241
  Biography of ... 258
  Prepared statement ... 242
Harkin, Tom, U.S. Senator from Iowa, questions submitted by ... 447, 867
Harmison, Lowell T., Ph.D., Deputy Assistant Secretary for Health, Office of Assistant Secretary for Health, Department of Health and Human Services ... 619
Hatch, Thomas D., Director, Bureau of Health Professions, Health Resources and Services Administration, Department of Health and Human Services ... 875
Hatfield, Mark O., U.S. Senator from Oregon, questions submitted by ... 114, 457
Hayes, Asahel, President's Council on Physical Fitness and Sports, Department of Health and Human Services ... 619
Hopkins, Dr. Donald, Deputy Director, Centers for Disease Control, Department of Health and Human Services ... 719

Inouye, Daniel K., U.S. Senator from Hawaii, questions submitted by ... 104, 931

Johanson, Patricia L., staff director, Commission on Education of the Deaf ... 319
  Biography of ... 325
  Prepared statement ... 321

Kass, Dennis M., Assistant Secretary, Pension and Welfare Benefits Administration, Department of Labor, prepared statement ... 16
Komarek, Thomas C., Assistant Secretary for Administration and Management, Department of Labor ... 1
  Prepared statement ... 26

Ledwig, Donald E., Acting President, Vice President, and Treasurer, Corporation for Public Broadcasting ... 241
  Biography of ... 258
  Prepared statement ... 249
Lee, Philip R., M.D., Chairman, Physician Payment Review Commission ... 529
  Letter from ... 562
  Prepared statement ... 531
Lin, Dr. Samuel, Deputy Assistant Secretary for Intergovernmental Affairs, and Acting Director, National Center for Health Services Research and Health Care Technology Assessment, Department of Health and Human Services ... 619
Little, W. Harell, Chief, Budget Branch, Public Health Service, Department of Health and Human Services ... 620

Macdonald, Donald Ian, M.D., Administrator, Alcohol, Drug Abuse, and Mental Health Administration, Department of Health and Human Services ... 801
  Prepared statement ... 803

Page

Maria, Raymond, Deputy Inspector General, Departmental Management, Department of Labor 121
  Prepared statement 121
Martin, Edward D., M.D., Director, Bureau of Health Care Delivery and Assistance, Health Resources and Services Administration, Department of Health and Human Services 875
Martoche, Salvatore R., Assistant Secretary for Labor-Management Standards, Department of Labor, prepared statement 14
Mason, Dr. James O., Director, Centers for Disease Control, Department of Health and Human Services 619, 719
  Biography of 726
  Prepared statement 722
McGinnis, Dr. J. Michael, Deputy Assistant Secretary for Health (Disease Prevention and Health Promotion), Office of Assistant Secretary for Health, Department of Health and Human Services 619
McKee, Lt. Gen. George H., Governor, U.S. Soldiers' and Airmen's Home 601
  Biography of 604
  Prepared statement 602
McMillan, Alan C., Acting Assistant Secretary, Mine Safety and Health Administration, Department of Labor, prepared statement 24
McMullen, James E., Budget Officer, Department of Labor 1
McMurray, Kay, Director, Federal Mediation and Conciliation Service 507
  Prepared statement 508
Meisinger, Susan R., Deputy Under Secretary, Employment Standards Administration, Department of Labor, prepared statement 20
Moore, Bessie B., Vice Chairman, National Commission on Libraries and Information Science 329
  Biography of 341
  Prepared statement 336
Moore, John Norton, Chairman, U.S. Institute of Peace 417
  Biography of 426
  Prepared statement 418
Mosedale, Lee, Budget Director, Health Care Financing Administration, Department of Health and Human Services 151

Nickens, Dr. Herbert, Director, Office of Minority Health, Department of Health and Human Services 619
Noble, Dr. Gary R., Acquired Immune Deficiency Syndrome Coordinator, Office of Assistant Secretary for Health, Department of Health and Human Services 619
Norwood, Dr. Janet L., Commissioner, Bureau of Labor Statistics, Department of Labor, prepared statement 25

Parrino, Sandra S., chairperson, National Council on the Handicapped 391
  Biography of 398
  Prepared statement 392
Pendergrass, John A., Assistant Secretary, Occupational Safety and Health Administration, Department of Labor, prepared statement 22

Pickens, Dr. Roy W., Director, Division of Clinical Research, National Institute on Drug Abuse, Alcohol, Drug Abuse, and Mental Health Administration, Department of Health and Human Services 620
Pittman, James E., Assistant Director for St. Elizabeths Hospital transition, National Institute of Mental Health, Department of Health and Human Services 801
Prescott, William G., Superintendent, St. Elizabeths Hospital, Alcohol, Drug Abuse, and Mental Health Administration, Department of Health and Human Services 801
  Prepared statement 807

Page

Reszetar, Mary Alice Hedge, Associate Director, National Commission on Libraries and Information Science ... 329
Roper, William L., M.D., Administrator, Health Care Financing Administration, Department of Health and Human Services ... 151
  Biography of ... 157
  Prepared statement ... 152
Russell, Harold, Chairman, President's Committee on Employment of the Handicapped, Department of Labor, prepared statement ... 27

Schlossberg, Stephen I., Deputy Under Secretary, Labor-Management Relations and Cooperative Programs, Department of Labor, prepared statement ... 13
Schuster, Charles R., Director, National Institute on Drug Abuse, Department of Health and Human Services ... 801
Semerad, Roger D., Assistant Secretary, Employment and Training, Department of Labor ... 1
  Prepared statement ... 10
Shasteen, Donald E., Assistant Secretary for Veterans' Employment and Training, Employment and Training Service, Department of Labor, prepared statement ... 29
Stanford, John, Assistant Inspector General for Audit, Office of Inspector General, Railroad Retirement Board ... 307
Sullivan, Frank J., Acting Director, National Institute of Mental Health, Department of Health and Human Services ... 801
Sundwall, David N., M.D., Administrator, Health Resources and Services Administration, Department of Health and Human Services ... 875
  Biography of ... 881
  Prepared statement ... 878
Tomlinson, Kenneth Y., Chairman, National Commission on Libraries and Information Science ... 329
  Biography of ... 335
  Prepared statement ... 331

Trachtenberg, Robert L., Deputy Administrator, Alcohol, Drug Abuse, and Mental Health Administration, Department of Health and Human Services ... 801
Turner, Robert F., President, U.S. Institute of Peace ... 417
  Biography of ... 426

Utgoff, Kathleen P., Executive Director, Pension Benefit Guaranty Commission, Department of Labor, prepared statement ... 17

Ventura, Rick, Deputy Director, ACTION ... 203
Vincent, Lee D., Comptroller, National Labor Relations Board ... 567

Wallace, Walter, member, National Mediation Board ... 519
Walsh, James A., Associate Administrator for Operations and Management, Health Resources and Services Administration, Department of Health and Human Services ... 875
Weicker, Lowell P., Jr., U.S. Senator from Connecticut, questions submitted by ... 109, 147, 199, 233, 303, 327, 362, 411, 456, 558, 615, 712, 770, 797, 868, 932
Whiteside, Daniel F., D.D.S., Director, Bureau of Health Resources Development, Health Resources and Services Administration, Department of Health and Human Services ... 875
Whitfield, Dennis E., Deputy Secretary, Department of Labor ... 1
Williams, Dennis P., Acting Deputy Assistant Secretary, Budget, Department of Health and Human Services ... 125, 151, 620
Windom, Dr. Robert E., Assistant Secretary for Health, Office of Assistant Secretary for Health, Department of Health and Human Services ... 619
  Biography of ... 626
  Prepared statement ... 622

Page
Witt, Helen, member, National Mediation Board 519
Woods, Charles L., Chairman, National Mediation Board 519
  Prepared statement 521

Young, Dr. Donald, Director, Prospective Payment Assessment Commission 779
  Biography of 784
  Prepared statement 780

SUBJECT INDEX

ACTION

Page

Introduction of associates 210
Opening statement 203
Questions submitted by the subcommittee 214

COMMISSION ON EDUCATION OF THE DEAF

Questions submitted by the subcommittee 327
Summary statement 326

CORPORATION FOR PUBLIC BROADCASTING

Advertising on public television 267
Appropriations, status of fiscal year 1988 and 1989 262
Audience profile, public broadcasting 264
Funding level needs, fiscal year 1990 266
Increased funding, use sought for fiscal year 1990 263
Opening statement 241
Questions submitted by the subcommittee 268
Service level, fiscal year 1982 264
Summary statements 260

DEPARTMENT OF HEALTH AND HUMAN SERVICES

ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH ADMINISTRATION

Alcohol and acquired immune deficiency syndrome 821
Anti-Drug Act 812
Crack cocaine 813
Drug initiative 819
Homeless mentally ill 822
Introduction of associates 811
Opening remarks 801
Program cuts, National Institute of Mental Health 818
Protection and advocacy 816, 820
Questions submitted by the subcommittee 827
Schizophrenia research 817
Serious mental illness 824
St. Elizabeths Hospital transfer 823

CENTERS FOR DISEASE CONTROL

Acquired immune deficiency syndrome, laboratory program 733
Cost recovery, vaccine 734
Drugs, designer and synthetic 733

Page

Immunization:
  Program 730
  Target 731
Infant mortality 732
Opening remarks 719
Questions submitted by the subcommittee 736
Vaccine 731

HEALTH CARE FINANCING ADMINISTRATION

Acquired immune deficiency syndrome:
  Medicare for 165
  Treatment costs, planning for 164
Administration proposals, savings from 164
Administrative costs 160
Claims payment complaints 163
End-stage renal disease network organizations 160
Health maintenance organization care, quality of 170
Home health care denials 167
Medicaid 158
Medicare contractors 159
Overview of fiscal year 1988 budget request 158
Payment to the health care trust funds 158
Program management 159
Prompt claims payment, cost of 169
Psychiatric facilities, surveys of 167
Questions submitted by the subcommittee 172
Research 159
Research funding, radiologists, anesthesiologists, and pathologists [RAP's] 169
Survey and certification 159
Vocational education disallowances 166

HEALTH RESOURCES AND SERVICES ADMINISTRATION

Acquired immune deficiency syndrome education and training centers 893
Case management services 892
Continued specialty service 884
Family practice residents, report on survey of 1986 graduating by American Academy of Family Physicians 885
Geriatric training, decrease in request for 890
Health professions 884
Homeless, health care for 892
Introduction of associates 875
Maternal and child health, increase for 891
Nurse training, advanced degree 887
Opening statement 875
Organ procurement, report on 889
Organ transplant registry 890
Organ transplantation 888
Questions submitted by the subcommittee 895
Specialists, reimbursement of 886

OFFICE OF ASSISTANT SECRETARY FOR HEALTH

Acquired immune deficiency syndrome:
  Achievements 633
  Activities, summary of 642
  Budget, update of 1988 639
  Cases, distribution of 632
  Current focus on 634

Acquired immune deficiency syndrome—Continued — Page
- Effort, critical partnerships for ... 638
- Efforts, other Federal Government ... 645
- Executive task force on ... 633
- Funding, update on ... 628
- Information and education plan ... 635
- Mass mailing on ... 646
- New efforts for a solution ... 649
- Patients, health care costs ... 644
- Prevention through blood screening ... 632
- Spending, functional categories of ... 640
- Treatment evaluations, status of ... 647
- Vaccine liability ... 647

Biomedical research efforts ... 645
Family planning ... 653
Infant mortality ... 652
Infection rate of ... 643
National Academy of Sciences report ... 637
Opening remarks ... 620
President's budget, development of 1988 ... 640
Prostitutes, rise of infection from ... 645
Questions submitted by the subcommittee ... 656
Sexually transmitted diseases ... 643
User liaison program ... 651

OFFICE OF HUMAN DEVELOPMENT SERVICES

Aging programs, support for ... 133
Aging research and demonstration ... 134
Alzheimer's research, support for ... 136
Budget request,:
- Effect of ... 137
- Overall 1988 ... 139

Fiscal year 1988 request ... 130
Human development services ... 130
Independent living ... 138
Priority programs ... 134
Programs to be reduced ... 135
Questions submitted by the subcommittee ... 141
Reprogramming of aging discretionary funds ... 135
Request to Congress, fiscal year 1988 ... 138
Request to Office of Management and Budget, fiscal year 1988 ... 137
Social services block grant ... 130
Supplemental request, foster care ... 136
Two year appropriations ... 140

DEPARTMENT OF LABOR

Aid to families with dependent children [AFDC] youth program ... 38
Budget, biennial ... 43
Departmental Management, prepared statement ... 121
Disabled, employment and training of ... 34
Education programs, reductions in ... 32
Employment Service negative supplemental ... 31, 36
Field sanitation standard ... 35
Immigration Act responsibilities ... 40
Job Corps Center closings ... 39
Labor Racketeering, funding for Office of ... 122

Page
Lost jobs 42
Management improvement 123
New jobs 41
Questions submitted by the subcommittee 46
Trade adjustment assistance [TAA] training funds, adequacy of 31
Unemployment insurance devolution 36

FEDERAL MEDIATION AND CONCILIATION SERVICE

Questions submitted by the subcommittee 510

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

Budget request 594
Questions submitted by the subcommittee 596
Rules 594
Travel 595

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

Opening remarks 329
Questions submitted by the subcommittee 353
Summary statement 347

NATIONAL COUNCIL ON THE HANDICAPPED

Budget request 399
Questions submitted by the subcommittee 402

NATIONAL LABOR RELATIONS BOARD

Backlog reduction 576
Highlights 576
Presidential nomination 577
Productivity improvements 576
Questions submitted by the subcommittee 578

NATIONAL MEDIATION BOARD

Questions submitted by the subcommittee 524

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

California Occupational Safety and Health Administration plan 586
Commission members 587
Questions submitted by the subcommittee 588

PHYSICIAN PAYMENT REVIEW COMMISSION

Congress, long-term benefits to 535
Questions submitted by the subcommittee 538

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

Questions submitted by the subcommittee 789
Summary statement 786

RAILROAD RETIREMENT BOARD

Questions submitted by the subcommittee 300
Summary statement 296
Vested dual benefits 298

OFFICE OF INSPECTOR GENERAL

Page

Audit findings 313
Budget request 314
Questions submitted by the subcommittee 315
Summary remarks 313

U.S. INSTITUTE OF PEACE

Chairman's report 430
Challenge before the Institute 427
Conflict of interest, statutory provision on 435
Crucial formative period 427
Funding level needed 428
Grant applications, board handling of 432
Impropriety, allegation of 433
Information flow 430
Monitoring 436
Outreach 429
Questions submitted by the subcommittee 437
Review groups, outside 434
Stanford colloquium 431

U.S. SOLDIERS' AND AIRMEN'S HOME

Beneficiaries, keeping faith with trust fund 611
Questions submitted by the subcommittee 613
Renovation program, funding 611
Summary statement 610
Transfer appropriation 611

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